



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)

Stimulating New Dynamic Energy
Creating New Business Landscape

ANNUAL REPORT 2016



COMPANY PROFILE

Guangdong Yueyun Transportation Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are the leading integrated transportation and logistics service providers in the Guangdong Province. The Company was established in 1999 and became listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 03399) in 2005. Currently, the total share capital of the Company is approximately 799 million shares, with approximately 74.12% being held by its controlling shareholder, Guangdong Provincial Communication Group Company Limited (“**GCGC**”), and approximately 25.88% being held by H share shareholders. The Company was included as a constituent of the MSCI Small Cap Indexes – China by Morgan Stanley Capital International Inc., listed on the Fortune China 500, and awarded as the “Best Investment Value Award for Listed Companies” for three consecutive years and the “13th Five-Year Best Investment Value Award for Listed Companies” of China Securities Golden Bauhinia Awards.

According to the “13th Five-Year” Development Plan of the Company, the business of the Company is currently categorized as:

Travel Service Segment :

- Road passenger transportation and auxiliary services
- Expressway service zones operation
- Energy business
- Convenient stores retail
- Automobile service business

Modern Logistics Segment :

- Material logistics business
- Small parcel express delivery business

Resource Development Segment :

- Operation of Taiping Interchange assets
- Advertising media business
- Development of self-owned land

The strategic positioning employed by the Company’s “13th Five-Year” Development Plan for the Group: utilise its advantages in transportation resources and focus on “travel” and “logistics”, focus on creating a travelling service integrated platform and a logistic network operation platform, further develop the transportation resources and endeavor to become an integrated transportation service group at international level.

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COMPANY INFORMATION

LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

STOCK CODE

03399

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BOARD OF DIRECTORS

Executive Directors

Xuan Zongmin
Tang Yinghai
Yao Hanxiong
Fei Dachuan
Guo Junfa

Non-Executive Directors

Li Bin
Chen Min

Independent Non-Executive Directors

Gui Shouping
Peng Xiaolei
Jin Wenzhou
Lu Zhenghua

COMPANY SECRETARY

Zhang Li

AUTHORISED REPRESENTATIVES

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PRINCIPAL BANKERS

Agricultural Bank of China
China CITIC Bank
Bank of China
China Merchants Bank

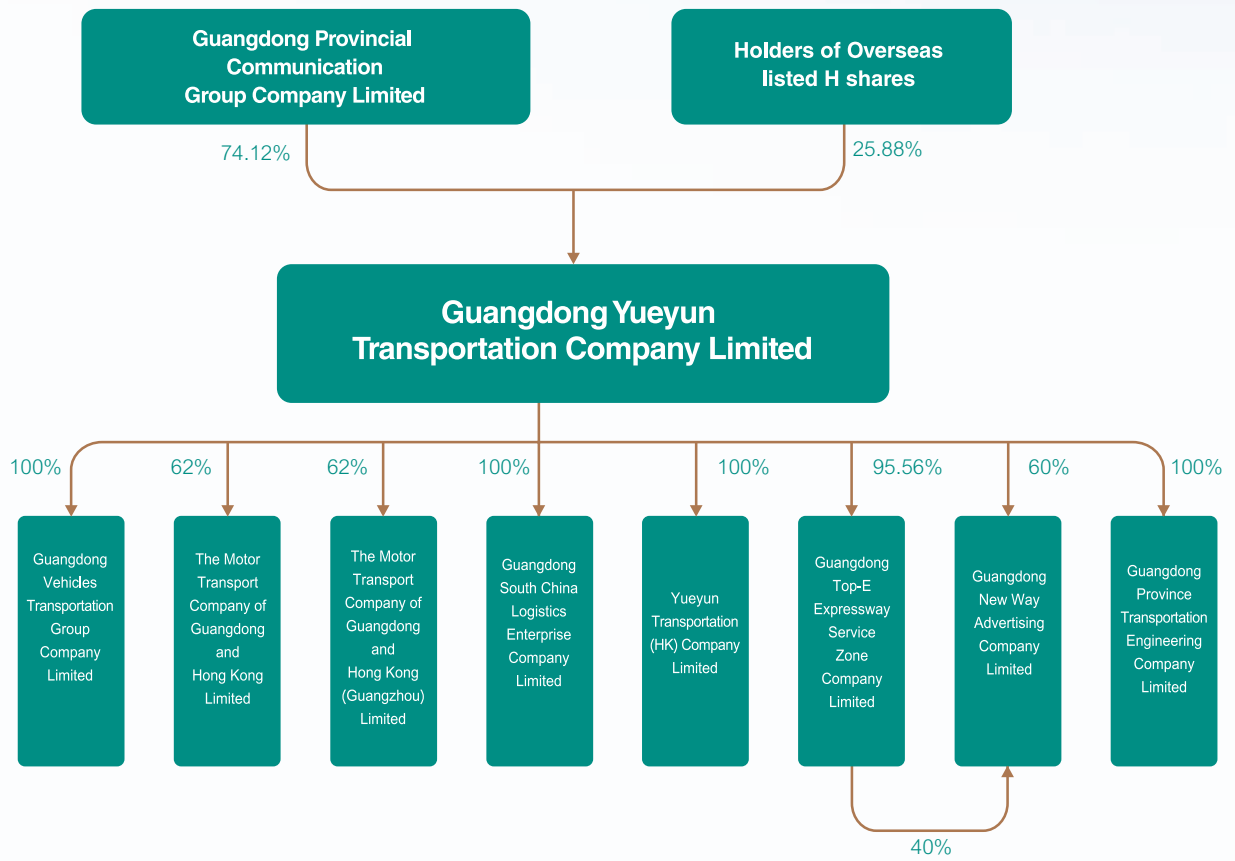
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COMPANY STRUCTURE



FINANCIAL HIGHLIGHTS

	31 December 2016 RMB'000	31 December 2015 RMB'000	Change
Results highlights			
Operating income			
Travel service	4,014,719	3,786,715	6%
Modern logistic	3,026,369	4,656,192	(35%)
Resource development	278,176	266,427	4%
Total operating income	<u>7,319,264</u>	<u>8,709,334</u>	<u>(16%)</u>
Gross Profit			
Travel service	918,340	943,348	(3%)
Modern logistic	162,620	179,928	(10%)
Resource development	198,424	183,489	8%
Total gross profit	<u>1,279,384</u>	<u>1,306,765</u>	<u>(2%)</u>
Taxes and surcharges	(60,900)	(65,489)	(7%)
Selling and administrative expenses	(760,065)	(777,786)	(2%)
Finance expenses	(48,055)	(69,999)	(31%)
Impairment losses on assets	(30,733)	(7,117)	332%
Investment income	26,816	31,917	(16%)
Operating profit	406,447	418,291	(3%)
Non-operating income and expenses	203,805	112,121	82%
Total profit	610,252	530,412	15%
Income tax expenses	(149,540)	(164,208)	(9%)
Net profit	460,712	366,204	26%
Profit and loss attributable to minority interests	(124,093)	(100,184)	24%
Net profit attributable to shareholders of the Company	<u>336,619</u>	<u>266,020</u>	<u>27%</u>
Basic earnings per share (RMB)	<u>0.44</u>	<u>0.42</u>	<u>5%</u>

	31 December 2016 RMB'000	31 December 2015 RMB'000	Change
Results highlights			
Total assets	7,662,892	7,552,785	1%
Total net assets	3,354,564	3,046,589	10%
Equity attributable to owners of the parent company	2,117,136	1,874,206	13%
Net assets per share attributable to owners of the Company (RMB)	2.65	2.99	(11%)
	31 December 2016	31 December 2015	Change
Ratios			
Gross profit margin (%)	17.48%	15.00%	16%
Interest coverage ratio (times)	11.91	8.61	38%
Gearing ratio (%)	56.22%	59.66%	(6%)
Current ratio (times)	1.24	1.22	1%

Gross profit margin = Gross profit/Revenue

Interest coverage ratio = Profit before interest and tax/(Interest expenses + capitalized interest)

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

MAJOR EVENTS

- In December 2016, the Company was granted the "Best Investment Value Award for Listed Companies (最具投資價值上市公司)" in the "2016 Award Ceremony for the Best Investment Value Award for Hong Kong Listed Companies (2016年香港最具投資價值上市公司頒獎典禮)".
- In November 2016, the Company was honored with the "Best Investment Value Award for Listed Companies in the 13th Five-year Plan (十三五最具投資價值上市公司)" in the "2016 Hong Kong International Finance Forum and China Securities "Golden Bauhinia" Award Ceremony (2016年香港國際金融論壇暨中國證券金紫荊獎頒獎典禮)".
- In June 2016, the Company was recognized as a "Trustworthy and Credible Enterprise in the Guangdong Province for Thirteen Consecutive Years (連續十三年守合同重信用企業)" by the Administration for Industry and Commerce of Guangdong.
- In October 2016, the Company was awarded the title "Enterprise with Excellent Integrity in the Guangdong Province (2015 -2016) (2015-2016年度廣東省優秀誠信企業)".
- In March 2016, the Company was awarded the title "Key Associated Road Transportation Enterprise in Contact with Ministry of Transport of the People 's Republic of China (2016-2018) (中華人民共和國交通運輸部重點聯繫道路運輸企業 (2016年-2018年))".



- In June 2016, the Company was ranked No. 3 (ranked No. 4 in 2015) on the list of "Top 100 Trustworthy Road Transportation Enterprises in China (2016) (中國道路運輸百強誠信企業 (2016年))" issued by the China Road Transport Association; while subsidiaries of the Company, Qingyuan City Yueyun Vehicles Transport Co., Ltd. (清遠市粵運汽車運輸有限公司) ("**Qingyuan Yueyun**"), Zhaoqing Yueyun Vehicles Transport Co., Ltd. (肇慶市粵運汽車運輸有限公司) ("**Zhaoqing Yueyun**") and Shaoguan Yueyun Vehicles Transport Co., Ltd. (韶關市粵運汽車運輸有限公司) ("**Shaoguan Yueyun**"), ranked No.64, No. 65 and No. 81 respectively (ranked No.76, No.75 and No.97 respectively in 2015).

- In July 2016, the Company was recognized as "Advanced Transportation Entity for Energy Saving and Emission Reduction (交通運輸節能減排先進單位)" by the China Association of Communications Enterprise Management.
- In September 2016, the Company was awarded the title "Outstanding Entity in National Transportation Culture Building 2016 (2016年度全國交通運輸文化建設優秀單位)" by the China Association of Communications Enterprise Management.
- In February 2016, the Lechang New Station of Shaoguan Yueyun commenced operation. The function of the new station is positioned as the city center passenger station of Lechang District, with daily capacity of 240 journeys of passenger vehicles carrying 5,000 passenger trips.
- The first Expressway Vehicle Owner Festival in Guangdong organized by the Group in 2016 was held during the period from 22 July 2016 to 22 September 2016, covering 12 expressways including Guangzhou-Shenzhen Expressway, Zhongshan-Jiangmen Expressway, Guangzhou-Foshan Expressway, Guangzhou-Zhuhai Expressway, Guangzhou-Wuzhou Expressway, Foshan-Kaiping Expressway, Guangzhou-Huizhou Expressway, Shenzhen-Shantou Expressway, Huizhou-Heyuan Expressway, Lechang-Guangzhou Expressway and Beijing-Zhuhai Expressway. The Expressway Vehicle Owner Festival enables optimization of resources advantages of expressways in Guangdong, promotes the linking role of expressways networks in Guangdong in terms of tourism services, and enhances the quality of tourism services.
- In July 2016, Guangdong Yueyun Langri Co., Ltd. (廣東粵運朗日股份有限公司), a subsidiary of the Company, entered into a strategic cooperation agreement with Guangwu Automobiles Trade Co., Ltd. (廣物汽貿股份有限公司) for the Yangjiang Motor City Project.
- In September 2016, the Company launched the "Yuexing (悅行)" APP which realized one-click operation of trips inquiries, ticket purchases, travel charter and route customization, more easy to better cater to the travel requirements of passengers.
- In October 2016, Guangdong Top-E Expressway Service Zone Company Limited ("**Guangdong Top-E**"), a subsidiary of the Company, was awarded the title "Outstanding Management Company for Expressway Service Zones in China (中國高速公路優秀服務管理公司)" for the second year in a row, and the "Top-E" brand of Guangdong Top-E was recognized as a "Well-known Brand for Outstanding Management Company for Expressway Service Zones in China (中國高速公路服務區知名品牌)". The selection of the "Outstanding Management Company and Well-known Brand for Outstanding Management Company for Expressway Service Zones in China (中國高速公路優秀服務區管理公司和知名品牌)" is a nationwide high standard industry selection activity organised by the China Highway and Transportation Society (中國公路學會), with relatively significant influence in China's expressway industry.

- In August 2016, Guangdong Top-E entered into a framework cooperation agreement with Sinopec Marketing Co., Ltd., Guangdong Branch in relation to convenience store cooperation in the expressway service zones, pursuant to which the parties will initially realize cooperation of the two brands "Yueyun Loyee" and Sinopec's "Easy Joy" to enhance the brand value and market position of "Yueyun Loyee" while facilitating the development and improvement of Yueyun Loyee's commodity distribution network.
- In September 2016, the Company entered into a strategic cooperation agreement with Zhejiang Alitrip Network Technology Company Limited (浙江去啊網絡技術有限公司) ("**Alitrip**") in relation to the cooperation in promoting passenger transportation business. The Strategic Cooperation Agreement is for a term of two years initially and envisages the parties' cooperation in realm of, among others, electronic payment, customized passenger and travel services and big data utilization with a view to enabling the innovation, reform and upgrade of traditional road passenger transportation enterprises.
- In August 2016, Guangdong Vehicles Transportation Group Company Limited ("**GVTG**"), a subsidiary of the Company, entered into a memorandum of understanding with the State-owned Assets Supervision and Administration Commission of the Zhanjiang City People's Government (湛江市人民政府國有資產監督管理委員會) ("**Zhanjiang SASAC**") and Guangdong Province Zhanjiang Vehicle Transportation Group Co. Ltd. (廣東省湛江汽車運輸集團有限公司) ("**ZVTG**"), pursuant to which the parties proposed that GVTG will become a shareholder of ZVTG through share transfer, upon completion of which GVTG shall hold at least 51% of the equity interest in ZVTG. ZVTG is principally engaged in the provision of road transportation services in Zhanjiang City, Guangdong Province. In June 2016, ZVTG was ranked No.43 on the list of "Top 100 Trustworthy Road Transportation Enterprises in China (2016) (中國道路運輸百強誠信企業(2016年))" by the China Road Transport Association.
- In May 2016, Guangdong Top-E acquired the entrusted operating licenses for the operation and management business relating to the front square of Shanwei Railway Station, including the management and operating rights for letting of shops, solicitation of advertisers, parking services, cleaning and clean maintenance, security and order management business and hosting of various municipal and commercial activities for a licensed period of 10 years and 6 months. This is the first time for Guangdong Top-E to output security and property management business outside the expressway service zones.
- In December 2016, the first batch of 14 self-built and self-operated Yueyun Energy Gas Stations (粵運能源加油站) were put into operation, whereby the Group has established a foothold in the energy industry.
- In January 2016, Guangdong Yueyun Traffic Rescue Co., Ltd. (廣東粵運交通拯救有限公司) was accredited with Safety Standard Second Grade Corporation Certificate for Safety Production Standardization (安全生產標準化) by Guangdong Provincial Association of Work Safety. It is the first professional traffic rescue company that has reached the second grade of safety production standardization.

- In March 2016, the Group won the tender in respect of the steel bar procurement project (CL-06 contract phrase) for approximately 8,000 tons of steel bars for work in the Guangzhou-Gaoming Expressway (Guangzhou section) in Guangdong Province, with a tender amount of approximately RMB19.02 million.
- In March 2016, the Group won the tender in respect of the steel bar supply project (CL-GJ4 tender phrase) for approximately 105,000 tons of steel bars for work in the Longchuan-Huaiji Highway (Lianping-Yingde section) in Guangdong Province, with a tender amount of approximately RMB252.160 million.
- In March 2016, the Group won the tender in respect of the steel bar supply (CL-GJ6 tender phrase) project for approximately 54,000 tons of steel bars for work in the Shantou-Zhanjiang Expressway (Yunfu-Zhanjiang section) and the extension project (Huazhou-Zhanjiang section), with a tender amount of approximately RMB127.31 million.
- In April 2016, the Group won the tender in respect of the steel bar procurement (CL03 tender phrase) (second tendering) project for approximately 32,000 tons of steel bars for work in the Second Phase Project of Zengcheng Shazhuang-Huadu Beixing Highway in Guangzhou (Licheng- Huadu Beixing Section), with a tender amount of approximately RMB79.34 million.
- In March 2016, the Group won the tender in respect of the cement procurement (CL-SN6 tender phrase) project for approximately 275,000 tons of cement for work in the Shantou-Zhanjiang Expressway (Yunfu-Zhanjiang section) and the extension project (Huazhou-Zhanjiang section), with a tender amount of approximately RMB96.26 million.
- In May 2016, the Group won the tender in respect of the asphalt procurement (CL-LQ1 tender phrase) project for approximately 31,000 tons of asphalt for work in the Jieyang-Huilai Expressway Project in Guangdong Province, with a tender amount of approximately RMB113.75 million.
- In June 2016, the Group won the tender in respect of the asphalt procurement (CL-LQ1 tender phrase) project for approximately 22,000 tons of asphalt for work in the Guangzhou-Zhongshan-Jiangmen Expressway Project, with a tender amount of approximately RMB80.33 million.
- In July 2016, the "FLY-E Bus Express (網上飛巴士速遞)" brand was launched online. Guangdong Wangshangfei Logistics Technology Co., Ltd. (廣東網上飛物流科技有限公司) ("**Wangshangfei**") is responsible for specific implementation of inter-linked small parcel express delivery within the province, with focus on creating the "FLY-E Bus Express (網上飛巴士速遞)" brand. Wangshangfei and SF Express held an online cooperation signing ceremony, and both parties commenced cooperation leveraging on their respective core resources and advantages, providing customers with more advantaged and differentiated products and services.

INVESTMENT VALUE OF THE COMPANY

TRAVEL SERVICE SEGMENT

• Road Passenger Transportation and Auxiliary Services

The Group is a leading road tourism service enterprise in Guangdong Province and has a complete road transportation business system as well as 82 passenger terminals of all levels, 1,461 passenger transportation routes and 7,820 operating vehicles, ranking first in terms of market share within Guangdong Province. The Group has been ranked among the Top 100 Trustworthy Road Transportation Enterprises in China (全國道路運輸百強誠信企業) for many years and its well-known brand of “Yueyun Express” is a road passenger transportation service benchmark with strong competitiveness in the industry.

Given the mature model of “Acquisition-Consolidation-Growth” over the years and the obvious synergies following the consolidation of the enterprises acquired, the average annual compound growth rate of the road passenger transportation business was 13.58% from 2007 to 2015, and the compound annual growth rate of the net profit was 12.32%. In the future, the Group will continue to expand market space in the eastern and western regions of Guangdong. Initiatives such as reclaiming advantageous routes for self-operation, “exploring the downstream market” and commercial development of terminal services brought incremental business.

In cooperation with Alitrip, the Group has provided customized travel products through the Internet platform and launched multi-functional integrated comprehensive services such as tourism, travel and commerce at passenger stations under its management, bringing beneficial increments for existing passenger transportation services.

Competitive Advantages

- Leading motor transportation enterprise in Guangdong Province
- Well-known brand of “Yueyun Express”
- Ranked third among the Top 100 Trustworthy Road Transportation Enterprises in China (全國道路運輸百強誠信企業)
- Complete transportation business system with advantages in network and scale
- Mature model of “Acquisition-Consolidation-Growth”
- Entered into strategic cooperation with Alitrip

- **Service Zone Operation**

The Group operates the largest number of expressway service zones in China (99.5 pairs) and enjoys obvious advantages in location value and scale relying on the huge expressway traffic in Guangdong Province. By developing large-scale integrated commercial projects in key service zones and introducing chain business services in services zones meet the conditions on a priority basis, the Group has enhanced the value of commercial real estate in the service zones.

Competitive Advantages

- The largest expressway service zone operator in China
- Enjoying advantages in network and scale
- Well-known convenience store brand of “LOYEE”
- By developing large-scale integrated commercial projects in key service zones

- **Energy Business**

By constructing self-operated petrol stations, LNG filling stations and charging piles, etc. under the brand of “Yueyun Energy” in incremental service zones, the Group has made its refined oil retail business and new energy business become new profit growth drivers for the expressway service business.

Development Strategy

- Expand and strengthen the service zone gas station business by combining a variety of business models such as self-ownership and self-operation, franchise awarding and cooperative operation to gradually form the sales network of Yueyun gas stations, establish the “Yueyun Energy “ gas station brand and build the gas station business into a core business.
- For each pair of service zone gas stations with an annual sales more than 15,000 tonnes with the expiry of the franchise awarded and new high-speed service zone gas stations with an annual sales more than 20,200 tonnes, self-ownership and self-operation will be implemented.
- For each pair of service zone gas stations with an annual sales less than 15,000 tonnes with the expiry of the franchise awarded and new high-speed service zone gas stations with an annual sales less than 20,200 tonnes, franchise awarding will be implemented.

- **Convenience Store Retail**

The Group simultaneously establishes the “LOYEE” convenience store business in existing passenger terminals and expressway service zones. Currently, 302 convenience stores (including franchise and supply cooperation supply cooperation) have been opened to build a retail chain network covering the whole Guangdong Province and provide an interface for the Group’s logistics distribution, car rental and ticketing businesses to drive business development.

Competitive Advantages

- Expressway online service zones and expressway offline terminal resources
- Enjoying advantages in network and scale
- Well-known convenience store brand of “LOYEE”

- **Automobile Service Business**

Relying on the well-established high-speed network and by capitalizing on the opportunity of an increase in vehicle ownership in Guangdong Province, the Company has expanded the coverage of the road rescue business and actively explored supplementary businesses such as car rental, car driving training, insurance agency and car maintenance to improve the business chain and achieve business growth.

MODERN LOGISTICS SEGMENT

- **Material Logistics Business**

The construction amount in connection with expressways within Guangdong Province during the “13th Five-year Plan” period was still huge and there existed a stable business base for material logistics services. On this basis, the Group seized market opportunities to expand material supply services of infrastructure projects other than those owned by GCGC, with a focus on the development of the asphalt and steel logistics business. Meanwhile, the Group further enhanced the commercial value of asphalt research and development and intensive processing and other commercial value, and actively explored e-commerce, cross-border logistics and other related businesses.

Competitive Advantages

- Well-established material procurement and supply management and operation model
- Professional talent team
- Good long-term partnership with suppliers

- **Small Parcel Express Delivery Business**

The Group innovatively conducts small package express delivery business by making active use of the existing passenger station, passenger bus and other resources covering the whole Guangdong Province and extends the logistics services while meeting the current passenger transportation services, with the advantages of high time efficiency, high security and low marginal cost, bringing new business growth for the enterprise.

The Group has expanded rural logistics and rural e-commerce through the Internet to provide low-cost, and high-quality distinctive products to urban residents; and entered into strategic cooperation with S.F. Express and got through the “last kilometre” business bottleneck in respect of small package express delivery, building a foundation for the growth of the logistics business.

Competitive Advantages

- Trunk route transportation with high time efficiency (many routes with high frequency)
- Wide distribution of stations and strong depth (coverage of all towns and villages)
- High transportation security (low cabin and less stacks)
- Entered into strategic cooperation with SF Express

RESOURCE DEVELOPMENT SEGMENT

• Operation of Taiping Interchange Assets

Taiping Interchange of Guang-Shen-Zhu Expressway (廣深珠高速公路太平互通立交) (“**Taiping Interchange**”) has significant location advantages, with a large annual traffic volume. The flow of cash from the expressway toll collection business is fast. This will bring an important complement to the liquidity of the Group. In the future, the Group will promote business growth through improving service standards and maintaining road quality.

• Advertising Media Business

The Group will transform from a traditional “offline” outdoor advertising and owned media agent into an “online” transport system integrated media resource platform operator and coordinate the existing expressway and passenger station advertising resources and obtain advertising business increments relying on the Internet advantage.

The Group will establish an IT company to promote the implementation of IT plans, enhance the functions and services of WeChat, APP, web sites and other online displays, build integrated marketing, customer management, service control and interface management and other systems, integrate internal and external businesses with IT means, and superimpose retail e-commerce, tour products, small package logistics and expressway services, etc. on online displays.

Development Resources

- Advertising media cover the whole province, with an average daily traffic volume of 3.3 million vehicles
- Covering more than 60 expressways, with a dissemination area of exceeding 100,000 square meters
- 1,646 expressway toll station entrances and exits
- 99.5 pairs of service zones
- 82 passenger stations

• Development of Self-owned Land

The Group promotes the completion of the development of the “Three Olds” redevelopment and real estate project on the land parcel held by the Group in the downtown of Guangzhou City to achieve the appreciation of self-owned land. The Group will carry out comprehensive commercial upgrading of stations which are located in downtown areas and will implement intensive commercial development of key expressway service zones to tap the commercial value of its own land.

Development Resources

- Stations, important nodes in service zones and existing land of approximately 2 million square metres in other important locations of the downtown
- Development Project: Old Yangxi Station, the “Three Olds” parcel at Airport Road

CHAIRMAN'S STATEMENT



In 2016, the PRC government adhered to the basic working strategy of pursuing stability and improvement, adhered to the concept of innovative development, took pushing forward the supply-side structural reforms as the mainline, expanded the overall demand moderately, properly responded to risks and challenges, and the overall economy maintained stable and healthy development. In 2016, the rapid development of rail transportation and online taxi booking further intensified competition in the road transportation market and the tourism demand of passengers also became more diversified. This posed new challenges to the speediness, safety and comfort of tourism services of the Group and at the same time also brought new opportunities for the Group to expand such businesses as travel combined with transportation and small package express delivery. The acceleration of the construction of expressways in Guangdong Province further drove the growth of the number of expressway service zones of the Group and the steady development of the materials logistics business. The Taiping Interchange toll collection business continued to grow steadily and continued to contribute to the Group's stable cash flow.

In 2016, the Group made new breakthroughs in businesses such as "Yueyun Energy", "Yueyun Loyee" Convenience Store, and "FLY-E Bus Express (網上飛巴士速遞)" and entered into strategic partnership with large state-owned enterprises such as PetroChina and CNOOC in refined oil supply and entered into strategic partnership with Alitrip in e-payment, customized passenger transportation, travel services and the use of big data and entered into business cooperation with SF Express in small package logistics business. In 2016, the Group continued to improve the "four-in-one" incentive and restraint mechanism, with the further enhancement of its internal control and risk management standards as well as its core corporate competitiveness. The Company received the "Best Investment Value Award for Listed Companies" for three consecutive years and won the "Best Investment Value Award for Listed Companies during the 13th Five-year Plan" at the 6th China Securities Golden Bauhinia Awards in 2016.

In 2017, the PRC government will continue to implement proactive fiscal policies and prudent monetary policies, adhere to improving quality and core competitiveness as the core, adhere to innovation-driven development, and guide enterprises to form their own unique comparative advantages. The Group will use the "13th Five-Year" Strategic Development Plan of Guangdong Yueyun Transportation Company Limited as a guideline to continue increasing industrial mergers and acquisitions, enhance utilization rate of resources, introduce more innovations on management system, improve incentive restraint system and strengthen risk preventive abilities, as well as to realize rapid development of all business segments and enlarge the value of resources through the fusion of industry and capital in an effort to build the Group into an integrated transportation services group of international standards.

The material investments and main business objectives of the Group in 2017 are as follows:

TRAVEL SERVICE SEGMENT

1. To accelerate the implementation of the Zhanjiang merger and acquisition project in accordance with the growth model of "Acquisition-Consolidation-Growth", and actively seek other merger and acquisition opportunities; promote the merger, acquisition and consolidation of road transportation resources by regional transportation companies in regions where they are located to increase market share.
2. To continue increasing the reclamation and self-operation of contracted vehicles, strengthen the development of the rural passenger transportation market, further improve the plan for rural passenger terminals, expedite the construction of a rural transportation service integrated system with multiple functions such as "passenger transportation, logistics, commerce, tourism".
3. To actively adapt to the new market demand, create differentiated tourism services, extend customized shuttle bus services on the basis of passenger transportation routes, optimize the construction of the "Intermodal Transport" pilot project; promote the customer-attracting incentive mechanism, vigorously develop the chartered bus business; expand the travel business, accelerate the nurturing of the new model of "travel combined with transportation".
4. To establish an IT company to promote the implementation of IT plans, build integrated marketing, customer management, service control and interface management and other service modules based on the "Yuexing (悦行)" APP server, integrate internal and external resources by virtue of IT means, and superimpose retail e-commerce, travel products, small package logistics, etc. on the integrated business server.
5. To continue proceeding with the construction and renovation of passenger terminals, appropriately control the investment and construction scale of terminals, establish awareness of commercial terminals, commence merchant solicitation first, emphasize on both terminals and merchants, adopt various methods such as autonomous commercial redevelopment, joint development and exchange to revitalize resources of old terminals and fully exploit the commercial value of terminals.

6. To summarize the experience derived from commercial reconstruction and business planning in connection with the Shunde Service Zone and initiate the commercial reconstruction of five service zones such as Liangjinshan; continue to push forward the commercial development projects of key service zones such as the Houmen Service Zone, the Dahuai Service Zone and the Taihe Service Zone.
7. To strengthen the standardized management and brand operation and management of 18 self-built and self-operated "Yueyun Energy" gas stations; actively push forward cooperation with PetroChina, achieve new breakthroughs in investment in and the construction of oil and gas stations and the operation of the oil and gas sales business and provide diversified energy services for expressway travellers; enhance the ability for the centralized procurement of refined oil, timely conduct the wholesale business, provide more high-quality and low-priced oil products for passenger transportation companies in various regions, and effectively reduce oil product procurement costs.
8. To establish a convenience store specialized company, accelerate the construction of the "Yueyun Loyee" convenience store network, build integrated service outlets incorporating passenger transportation and ticketing, small package express delivery, retail, car rental, logistics distribution and tour dispatch; reinforce the promotion and marketing of the "Yueyun Loyee" convenience store brand, expand to third- and fourth-tier cities and rural markets; speed up the standardization and intensification of the commodity retail management system, establish procurement channels for local specialties from various places, strengthen the management of commodity varieties, cooperate with external e-commerce platforms such as GDTV Shopping Mall (廣東廣播電台經選商城) and PetroChina BP Online Shopping Mall (中油BP線上商城), and expand sales channels.

MODERN LOGISTICS SEGMENT

1. To manage materials supply management for projects under construction of GCGC; step up tender efforts for key engineering projects in Guangdong Province, realize market expansion for materials such as steel, asphalt and cement; complete marketing for terminals, push forward strategic partnership in respect of the asphalt business; strictly implement the linkage mechanism for delivery and payment collection, control the market risk in business expansion effectively.
2. To achieve the basic coverage of all prefecture-level cities in Guangdong Province by stations of the "FLY-E Bus Express (網上飛巴士速遞)" business and endeavor to expand some passenger stations outside the province; enhance marketing and promotion, enrich the variety of products and value-added services, achieve the normalization of online sales of agricultural products; strengthen the e-commerce drive, extend logistics finance, bonus points redemption and other services.
3. To conduct further research and discussion on the logistics park project, adopt the approach of combining merger and acquisition and self-construction consistently, construct a hub-style logistics center, nurture integrated operation capabilities for the logistics park zone and realize complementary development of businesses such as small parcel express delivery service and convenience stores.

RESOURCES DEVELOPMENT SEGMENT

1. To push forward the digital media reform of five expressways including Guangzhou-Lechang Expressway; actively obtain and accelerate investment in and the construction of advertising resources along expressways and cross-line bridges, gantries, toll stations and other advertising resources; strengthen the nurturing of the resources integration and marketing ability, bring into play and amplify the overall effect of expressway media advertising and passenger transportation media advertising resources, and achieve transformation from an advertising resources provider to a multi-media integrated service provider.
2. To actively push forward the Three Olds redevelopment project in accordance with the requirements of the Measures for the Urban Renewal of Guangzhou City (《廣州市城市更新辦法》); implement the Business Plan for the Development of Land Resources at Passenger Stations (《客運站場土地資源開發業務規劃》) to accelerate the commercial development of the old Yangxi Station.

The Group will use its own funds and bank borrowings for the funding required for the material investments and business development in 2017.

Xuan Zongmin

Chairman

Guangzhou, PRC

13 March 2017

THE “13TH FIVE YEAR” DEVELOPMENT PLAN OF THE COMPANY

INTRODUCTION

During the “12th Five-year Plan”, by focusing on its resource advantages, the Company achieved a new round of rapid development through “Acquisition-Consolidation-Growth” and expanded the scale of the enterprise against the backdrop of a slowdown in domestic economic growth, economic restructuring, the impact of rail transportation and the intensification of competition in the industry. Through strategic reorganization, the Company innovated the mode of development, optimized the business structure, integrated internal resources, improved the management efficiency and continued to enhance its brand awareness, basically completed the initial planning objectives. With key cooperation projects as the starting point, the Company continued to push forward the implementation of the strategic plan, further established the three pillar businesses comprising motor transportation services and ancillary services, materials logistics services and expressway service zones, prepared the development strategy for 2014 to 2018 and teased out the strategic business and emerging business of the Group, achieving outstanding results. At the same time, the Company is also soberly aware that changes in the economic and social development environment and the national and Guangdong provincial policies as well as the enhancement of the strategic status and development requirements of state-owned enterprises have posed severe challenges to the Company in consolidating and improving its sustainable development capability while ensuring the completion of the strategic tasks of GCGC.

In the face of opportunities and challenges, the Company prepared the “13th Five-year” development plan by carefully analyzing the situation and the future development trend to drive the Company to achieve significant innovations, breakthroughs and development during the “13th Five-year” period.

MISSION AND VISION

Mission: Good trip, intelligent logistics.

Vision: To become an Internet transformation leader for road transportation services and a first-class fourth-party logistics platform operator in China.

DEVELOPMENT PHILOSOPHY

Guided by the state, Guangdong Province, the transportation industry and the “13th Five-Year Plan” of GCGC, the Company will adhere to the development concepts of “openness, exploration, sharing, win-win, innovation, entrepreneurship”.

Openness: Maintain an open mind, operate the Group with platform thinking, integrate social service resources through leveraging and cooperation;

Exploitation: To be brave enough to try new businesses, actively explore new areas to expand its domain, seek new development with the mental attitude of starting a new undertaking;

Sharing: Share resources to achieve value maximization through the overall comprehensive development of the Group; share results, share the development results of the Group with employees, shareholders and the community;

Win-win: Comprehensively consider the value appeals of all stakeholders, seek the greatest common divisor; actively introduce strategic investment, realize value increment and seek win-win;

Innovation: Internet + thinking innovation; cultivate new segments, create new models; system and mechanism innovation;

Entrepreneurship: Work hard and keep forging ahead, pursue excellence; uphold the mental attitude and energy of starting a new undertaking, be determined to achieve strengthening, expansion, optimization and reputation enhancement.

STRATEGIC POSITIONING

To put forth every effort to build a travel service integration platform and a logistics network operating platform by building upon transportation and focusing on travel and logistics, intensively operate transportation resources, and strive to become an integrated transportation service group of international standards.

LINES OF THINKING IN TRANSFORMATION

The first line of thinking in strategic transformation: To transform from relying on the acquisition and monopolization of a single resource to control over a richer diversity of resources and the intensive exploration, integration, development and transformation of resources, and pursue the maximization of the value of resources.

The second line of thinking in strategic transformation: To transform from the resources-driven denotative expansion development model to the capacity-driven “denotative expansion + connotative cultivation” model, make use of resources to nurture capacity, make use of capacity to attract resources, and form a virtuous cycle of “resources and capacity”.

The third line of thinking in strategic transformation: To transform from a “transportation service provider” to a “comprehensive travel service integration platform operator” and create a travel service platform ecosystem through active leveraging and cooperation with a more open mind. To transform from a “product + service” to “platform + service” and from “independent operation supplemented by cooperative operation” to “internal more concentrated, external more open” and transform from “integration mainly by relying on capital means” to the “implementation of the dual models of capital integration and platform access”.

The fourth line of thinking in strategic transformation: To transform from focusing on industrial operation to focusing on combination between industry and finance, make use of capital operation to promote industrial development, constantly create new industrial growth points and promote the appreciation of capital value. To foster new industrial growth poles by improving the core industry chain through the industrial investment layout and optimize the industrial structure of Yueyun; engraft financial capital through financial investment to achieve combination between industry and finance, optimize the asset structure and the capital structure.

The fifth line of thinking in strategic transformation: To transform from the traditional business model and management model to the new development model of “transportation + Internet” transition, actively incorporate the Internet thinking, make bold innovations, break through imagination and create “Intelligent Yueyun” by virtue of IT means. At the business development level, to increase the extent of IT penetration and innovate the business model; at the management level, to speed up the promotion of online, visual and dynamic management and improve the management efficiency.

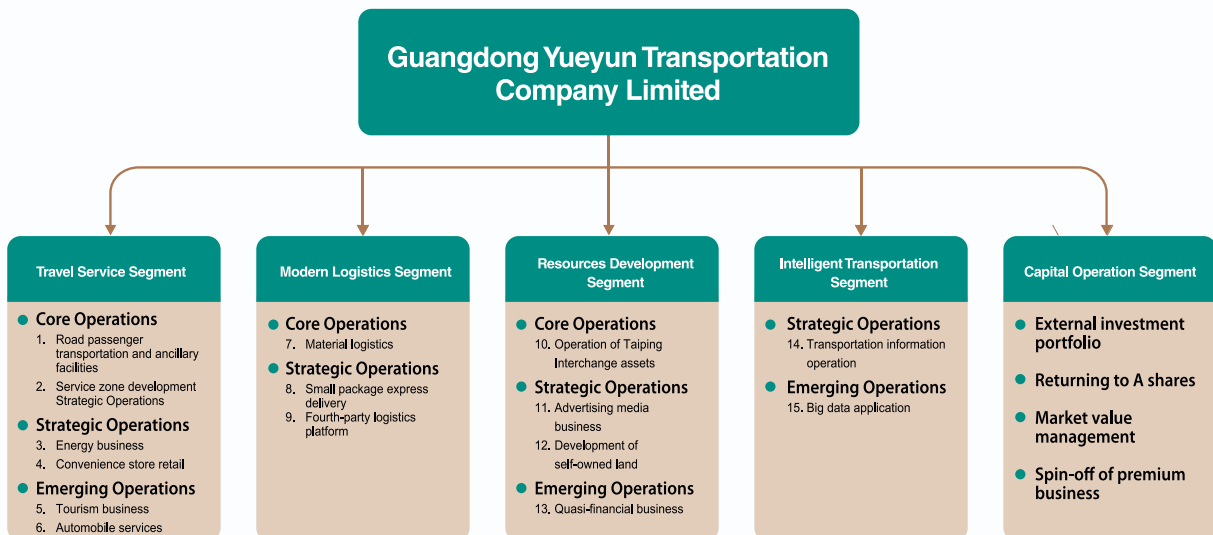
BUSINESS PORTFOLIO STRATEGY

1. Planning Principles

First, in line with the guideline for the distribution of state-owned capital, the business layout shall serve the strategic needs of the state and Guangdong Province, implement the requirements on adjusting the layout of the industrial policies and key industries of the state and Guangdong Province. Second, match the development trend of the market, comprehensively consider the market size, profit margin, development prospects, competitive landscape and other factors, develop industries the market really needs. Thirdly, being a listed company, the Company will give full consideration to the market’s concern on profitability, growth potential, industry position, risk-resistance capability and strategic description. Fourth, in line with the needs of its own transformation and development, in the face of dramatic changes in the environment, should fully explore the value of the existing resources capacity of the Company for business portfolio and layout, bring the Company’s strong network effect into full play, in line with the Company’s future growth goals and strategic directions, and support the fulfillment of the Company’s mission and the implementation of strategies. Fifth, support the strategic positioning of GCGC. The 13th Five-year strategic positioning of GCGC is — “Be a brave pioneer to create a large multinational state-owned capital investment group with integrated service values based on transportation by focusing on travel and logistics”.

2. Overall Business Layout

The overall logic of the Company’s business portfolio strategy under its “13th Five-Year” strategic plan is: Comprehensively consider the five major principles, to be brave enough to carry on the strategic positioning of GCGC, build the “3 + 1 + 1” business development system, create the five major segments of “travel services, modern logistics, resources development, intelligent transportation and capital operation”, conduct 15 specific businesses.



3. Development Plan for the Travel Service Segment

Development positioning: Rely on the business basis of passenger transportation and ancillary facilities and service zone development to create an intelligent travel integrated service platform and build a travel service ecosystem.

Line of thinking in development:

—Driven by demand: focus on “travel” and driven by demand, provide innovative products and services with the objective of enhancing customer experience.

—Platform thinking: Build a travel service ecosystem through the integration of internal and external service resources, provide customers with integrated travel service comprehensive solutions and focus on making travel better.

Business selection and portfolio:

Core operation—Road passenger transportation and ancillary facilities, service zone development;

Strategic operations—Energy business, convenience store retail;

Emerging operations—Tourism business, automobile service business.

Business Segment Development Plan:

Road passenger transportation business—Continue to integrate passenger transportation resources across the province, expand the business and product layout; break through the traditional service model by focusing on the consumer demand and drive business upgrades; create an open network platform and gradually build the “platform” development model. Specifically, first is to push forward network construction, expand the network scale and improve the network density; second is to deepen network operation, improve the network quality and enhance the network efficiency; and third is to amplify the network value, enhance the sharing of transportation resources and jointly create value increment.

Service zone business—Become an expressway service resources chain comprehensive development and operation value service provider of international standards based on Guangdong Province. Regional plan: First develop and operate service zone resources within the province and may attempt to expand outside the province. Plan for business standards: Be in line with international advanced enterprises and move closer to the international first-class standard in terms of the level of competence and the level of performance. Business model plan: Strive to maximize the value of resources mainly by implementing the chain model and the integrated development model. Core competitiveness plan: Grasp the high-value aspect in the business value chain and provide high-quality, high-efficiency and high-value services for “people”, “vehicles” and “goods” to maximize the value.

Energy business—the overall plan positioned as the important growth pole of the Company during the “13th Five-year” period, upgrade the service zone energy operation model with a focus on incremental service zones, form an energy business self-management team and build the new service zone self-operated gas station model; accelerate distribution and development by constructing an appropriate number of charging stations (piles) and LNG filling stations in such nodes as service zones and passenger stations with new energy vehicles such as electric vehicles, oil and electricity hybrid vehicles and oil and gas hybrid vehicles as the point of penetration. Prioritize the development of the refined oil retail business in terms of the resource allocation priority in relation to energy business development with the second priority to distribute the business of LNG filling stations and charging piles (charging stations), maintain paying attention to the PV business and further demonstrate the feasibility.

Convenience store business—The overall business positioning is an important carrier for the Company’s network platform O2O and carries multiple functions in connection with the development of various offline businesses such as passenger aggregation and dispersion, passenger transportation ticketing, car rental, small package express delivery, logistics and distribution, tourism product sales and experience zone. The Group distributes its convenience stores in offline space such as passenger stations, logistics parks and high-speed rail stations on the basis of development in the online service zones of expressways to rapidly form the network effect; optimize the business model and the operation model through the establishment of a specialized company to strengthen the research of product categories, enhance the cargo handling capacity, consolidate the back-office operation and management capabilities, build its own core competitiveness, achieve development in strength and size as soon as possible and strive for entering the capital market by the end of the “13th Five-year” period.

Tourism business—Rely on the Company’s advantageous position and resources in the transportation industry to leverage the “transportation + tourism” synergies with tourism-transportation combination as a starting point to drive the demand for travel, increase the passenger flow efficiency and create added values; Expand the control over tourism resources on the basis of creating functions such as tourism services developed in key service zones and leisure and recreation to gradually get involved in tourism real estate development and tourism business operation and share the benefits derived from the growth of the tourism industry.

Automobile service business—First, position the business scope driven by the demand. Extend to the upstream and downstream (such as learning to drive, car rental/car purchase, vehicle repair and maintenance, insurance) of the value chain on the basis of road rescue operations by focusing on the demand for travel cars and relying on the advantage of the Yueyun brand, create business opportunities, improve the integrated platform for travel services of the Group and provide one-stop integrated solutions for travellers. Second, overall planning by headquarters and local development step by step. The headquarters of the Company carries out the overall planning of the development goals and initiatives of all subsidiary businesses and leads the development of some non-territorial subsidiary businesses such as coach driver training, driving training, second-hand car distribution, road rescue, and insurance agency. All regions actively push forward the development of territorial subsidiary businesses by combining with local advantageous resources and business development basis to support the headquarters’ business layout.

4. Modern Logistics Segment Development Plan

Development positioning: Build a modern logistics integrated service platform focusing on logistics parks by basing on the material supply business and relying on transportation node resources, and strive to become a first-class fourth-party logistics platform operator in China.

Line of thinking in development:

——Extending one chain: Extend the upstream and downstream of the value chain of the material logistics business with “ensuring supply” as the starting point, actively seek breakthroughs, cultivate market capacity and expand the business scope.

——Establishing presence through one network: With logistics parks as the hub, introduce professional talents by integrating small and medium-sized logistics nodes and capillary logistics resources, cultivate professional capacity, build a “backbone + capillary” fourth-party logistics network operating platform covering the whole province.

Business Selection and Portfolio:

Core operations——Material logistics business (asphalt, steel, cement material supply chain management);

Strategic operations——Small package express delivery business, fourth-party logistics platform.

Business Segment Development Plan:

Material logistics business——First, with respect to “ensuring supply”, resolutely complete the important task of “ensuring supply” by focusing on the operations of GCGC. Second, with respect to optimizing the structure, focus on developing the asphalt and steel logistics business, choose the appropriate opportunity to shrink the cement logistics business. Third, with respect to business extension, grasp market opportunities, cultivate market capacity, expand the business scope, seek breakthrough opportunities in the fields of steel warehousing logistics, intensive processing, e-commerce platform and asphalt R&D and processing. Fourth, with respect to resources restructuring, actively strive for resources restructuring opportunities from GCGC, recommend paying attention to cross-border passenger transportation, cross-border cargo transportation and other logistics related industries.

Small package express delivery business——First, aggregate small package express delivery business resources of the whole province, achieve network-based platform operation, consolidate the logistics information technology base; second, with the small package express delivery interconnected platform as a starting point and the carrier, grasp the opportunities for Internet development, add business resources such as warehousing and distribution, logistics informatization and e-commerce, create a borderless integrated platform for business flows and logistics finance, drive the transformation and upgrading of the road transportation industry; third, constantly carry out and expand cooperation in the fields of logistics and the Internet, and achieve value fission through capital market financing.

Fourth-party logistics platform—Establishing presence through one network, by 2020, the Group will successfully operate 1-2 logistics parks and 20 small and medium-sized freight stations; logistics services penetrate into 800 Loyee convenience stores; businesses such as stevedoring and berth are conducted in an orderly manner; the cross-border freight business of other companies within the Group is integrated to leverage the synergies; the small package express delivery business develops healthily and achieves asset securitization; the online logistics information platform docks with the offline physical logistics network effectively; efficient online and offline interaction is achieved.

5. Resource Development Segment

Development positioning: Intensively integrate various resources, effectively amplify the value of resources, achieve the overall development of Yueyun Transportation, create a new growth pole for future development.

Line of thinking in development:

—Comprehensive sharing and intensive exploration: Connect resource stakeholders through the benefit sharing mechanism, and promote the comprehensive sharing of stock resources and the intensive exploration of incremental resources.

—Specialized operations and effective integration: ensure the high efficiency, high yield and sustainable development of resources development through the operation of specialized companies.

Business Selection and Portfolio:

Core operations—Tai Ping Exchange asset operation;

Strategic operations—Advertising media business, owned land development;

Emerging operations—Quasi-financial business.

Business Segment Development Plan:

Operation of Taiping Exchange assets—In the face of a slowdown in growth caused by traffic flow saturation and the traffic diversion caused by expressways newly built during the “13th Five-year” period, the Company will actively respond to the adverse effects arising from changes in the external environment by focusing on improving service standards and building service reputation as the core, continuously improve operational efficiency and promote the maintenance or even growth of business through the continuous improvement of service standards.

Advertising media business—Rely on the existing advertising media resources innovation business model to introduce strategic investment or merge with and expand new media business, accelerate the transformation from a traditional outdoor advertising owned media agency to a transportation system integrated media resources platform operator while constantly strengthening the integration of media resources and the enhancement of operational capacity, and actively carry out the exploration of the platform-based business model.

Development of self-owned land—Clarify the sources of the three types of land for “Three Olds” reconstruction land development, passenger station commercial development and key service zone development, which will be implemented by Guangdong Provincial Vehicles Transportation Group Company Limited, Guangdong Provincial Transportation Engineering Company Limited, local companies and Guangdong Top-E based on the land sources under the unified planning of the headquarters.

Quasi-financial business—First, clarify the positioning of the quasi-financial business and assist in the development of the physical industry. Based on the overall strategic planning of the Company, comprehensively consider its own industry characteristics, capital size, risk management capability and other factors, meticulously design financial products and services that meet the development needs of the Company and each of the industry segments with the industry as the support by closely focusing on the development needs of the Company and each of the industry segments, provide financial support in a wider range and at a deeper level for the Company and each of the industry segments. Second, strive to obtain the relevant business license and develop various types of quasi- financial business. Properly develop non-bank financial businesses such as financial lease, online credit and mobile payment by closely focusing on the needs of the physical industries such as passenger transportation business, service zone business and modern logistics business, drive the physical industries to improve market competitiveness and achieve better and faster development.

6. Intelligent Transportation Segment

Development positioning: Drive the “online, information and intelligent” development of the Group by virtue of Internet thinking and IT means and strive to become an industry leader for “transportation + Internet” transformation.

Line of thinking in development:

—“Transportation + Internet”: Grasp the “Internet+” development opportunity, cultivate new segments and reshape the new model.

—Technology-driven: Driven by technological innovation and big data application, deeply push forward business development such as intelligent travel, intelligent logistics and intelligent media, enhance the intelligent management capability of the Group.

—Specialized operations: Establish an Internet platform company and introduce professional talent teams.

Business Selection and Portfolio:

Strategic operations—Transportation information operation;

Emerging operations—Big data application.

Development goal: Consider the order of priority in respect of the development of the two businesses of the segment, focus efforts on developing the transportation information operation business during the early period while forming the data basis for the big data application business, do not promote the big data application business until conditions are ripe at a later stage. Therefore, for the financial objectives of the intelligent transportation segment, no specific businesses are distinguished and revenue targets and net profit targets are estimated only on a segment basis.

Business Segment Development Plan:

Strategic planning intelligent transportation segment, aim at using the Internet means to help the Group Transportation to transform from a “transportation service provider” into an “integrated travel service platform operator”: For the business direction, the priority is to serve internal informatization needs and pay close attention to business opportunities in relation to cross-sectoral, cross-regional and big data application extension. Internally, the focus is on serving the enhancement of internal management, supporting internal business development and providing information technology services and support; externally, the focus is on nurturing emerging businesses and exploring new business models.

7. Capital Operation Segment

Development positioning: Form a three-in-one development pattern of “industry, investment, finance” with investment as the driving force, industry as the base and finance as the hub, and achieve the rapid expansion of the business scale through the operation of capital.

Line of thinking in development:

—Strengthening driving by investment: Improve the core industry chain through industrial investment distribution, foster new industrial growth poles, optimize the industrial structure; engraft financial capital through financial investment to achieve combination between industry and finance, optimize the asset and capital structure.

—Diversifying financing channels: Return to A shares and form the H + A listing pattern; spin off high-quality business and achieve value fission.

—Strengthening market value management: Enhance investor confidence and promote the appreciation of corporate value.

Focus: first, optimize the external investment portfolio and reinforce driving by investment; second, return to A shares as soon as possible and form the A+H pattern; third, strengthen market value management and enhance investor confidence; fourth, spin off high-quality business and diversify financing channels.

Development goal: (This segment does not set specific financial objectives and the focus is on qualitative objectives)

Investment management goal—Expand the investment direction, expand the scope of project research; play the role of the investment platform (Guangdong Yueyun Development Co., Ltd., hereinafter referred to as “Yueyun Development”), connect with internal and external high-quality industries and financial capital; initiate the establishment of industrial investment funds; diversify own capital risks; accumulate investment operation experience and enhance investment operation capability.

A share listing goal—Strive to achieve the listing of A shares during the “13th Five-year” period and form the A+H pattern.

Market value management goal—With respect to market value creation, clarify the business development plan, enhance business competitiveness, optimize business portfolio; emphasize communication with investors, develop strategies for media communication, strengthen the dissemination of development strategies and business values, and enhance investors' confidence; with respect to value realization, diversify the means of financing, optimize the asset and capital structure, and realize the rapid expansion of the operation scale through the operation of capital.

Goal for spin-off of high-quality business—Strive to achieve the listing of 1-2 affiliated subsidiaries on the New Third Board by the end of 2020.

Specific Development Plan:

First, build a new pattern of combination between industry and finance. With investment as the motive force, the industry as the foundation and finance as the hub, the Group will form a three-in-one development pattern of “industry, investment and finance”, explore the gradual transition from an industrial operation group to an industrial investment group. Improve the core industry chain and foster new industrial growth poles through industrial investment layout; engraft financial capital through financial investment to achieve combination between industry and finance, optimize the asset structure.

Second, improve the “resources - assets - capital - funds” loop mechanism. The Group will construct four platforms, namely business platform, asset operation and management platform, financing platform and investment platform. Improve the “resources - assets - capital - funds” effective loop flow mechanism to achieve the development model of industrial operations, asset management, and virtuous interaction between investment and financing.

Third, optimize the external investment portfolio and strengthen driving by investment. Fully leverage the advantages of “Yueyun Development” as an investment platform, aggregate the common interests of the Company and its subsidiaries, and optimize the investment portfolio through various manners such as introducing strategic investors, venture capitalists and establishing industry funds. With respect to the investment direction, first, focus on industries relating to the main industry, such as road transportation, modern logistics, tourism and advertising media, make full use of investment behavior to support the development of relevant industries, expand the industry scale and expand business areas; second, pay attention to emerging industries in line with the industrial development trend, optimize the industrial layout, provide key momentum for the growth and transformation and upgrading of the enterprise and find new growth points for the Group. With respect to the investment control model, strive for favorable policies from GCGC to achieve a modest decentralization of the authorization of investment and improve investment decision-making efficiency. In the course of business development, may carry out the actual operation by investing in a consortium, clarify the roles and terms of reference of the Company, its subsidiaries and external social capital. In principle, the Company will act as the investment business leader responsible for project management, policy support, personnel support and financial support, etc.; subsidiaries are allowed to make co-investment and act as the investment leader under exceptional circumstances mainly responsible for capturing opportunities, investigation and research and analysis, the provision of qualifications and professional support, etc.; external social capital, as a participant, will not lead any investment projects and is responsible for financial support, the provision of qualifications and resources support, etc.

Fourth, optimize investment and financing management, and form a complete investment and financing management system. Investment and financing management mainly includes investment project research, investment execution and supervision, post-investment evaluation and financing plan formulation, etc. Investment Project Study: Study of the Company's industrial investment and financial investment and other investment projects to provide an important basis and support for the Company's decision making. For example: Study of newly entered business projects such as industrial investment projects and financial investment business. Investment execution: Formulate specific investment execution plans and implementation plans for various investment projects of the Company, and organize the implementation of various investment projects of the Company. Investment supervision: Carry out specific supervision on various investment projects of the Company, make timely feedbacks on problems existing in the investment process and make rectification or take relevant countermeasures in accordance with the relevant investment management regulations of the Company. Investment evaluation: Conduct final evaluation on various investment projects of the Company after they are completed, and put forward problems existing in various investment projects and improvement measures. Financing plan formulation: Formulate appropriate financing plans for various investment projects of the Company.

Fifth, strengthen capital operation, improve the capital utilization efficiency and the capital return level. Capital operation is implemented by allocating the Company's industrial capital and financial capital mainly through the use of the capital market to connect to the financial capital, industrial capital and external capital markets and increase the capital utilization efficiency and the capital return level. Specific measures include mergers and acquisitions, equity investment, returning to A shares, asset securitization and market value management, etc. First, speed up the pace of returning to the A-share market, build a domestic platform for capital operation, expand the financing channels, and increase the capital operation capacity and standards of the Company. With the gradually improving A-share market environment, increasingly standardized regulations and increasingly complete functions, the listing needs of domestic enterprises can be met; with increasingly strong financing capacity, strong liquidity and high activity of the A-share market, the capital operation needs of domestic enterprises can be met; the level of the valuation of A shares is higher than that of H shares, which can increase the corporate valuation; asset and capital mergers and acquisitions are more active and frequent in the A-share market, which is conducive to the integration and allocation of domestic assets and resources of enterprises. Therefore, the Company will rely on the technical strength of the professional team to conduct special studies and clarify the operation plan and the return path as soon as possible. Second, accelerate the pace of asset securitization, drive the rapid development of the advantageous businesses through asset securitization and improve the Company's financing structure. Strive to achieve the listing of one to two subsidiaries from Loyee Convenience Store, Yueyun Energy and Yueyun Travel on the New Third Board by 2020 to reap the following benefits: (1) Enhance corporate direct financing capacity, expand the scale of direct financing and improve the corporate finance structure; (2) rely on the capital market to increase the reputation of the Company and its subsidiaries and enhance the credit of subsidiaries and parent company, which is conducive to the rapid expansion of subsidiaries and driving the large-scale development of operations, (3) use capital market standards to improve the governance structure of parent company and subsidiaries, regulate the operation and management mechanism and improve the management standards, which is conducive to the regulation of subsidiaries by the Company; (4) subsidiaries flexibly make use of equity incentives and other means to attract high caliber talents, stimulate the enthusiasm of employees and enhance corporate development potential and stamina.

Sixth, strengthen market value management and enhance investors' confidence. With respect to market value creation, clarify the business development plan, enhance business competitiveness, optimize business portfolio; emphasize communication with investors, develop strategies for media communication, strengthen the dissemination of development strategies and business values, and enhance investors' confidence; with respect to value realization, diversify the means of financing, optimize the asset and capital structure, and realize the rapid expansion of the operation scale through the operation of capital.

MANAGEMENT DISCUSSION AND ANALYSIS

(All amounts are presented in RMB, unless otherwise stated)

BUSINESS REVIEW

In 2016, guided by the “13th Five-Year” Development Strategy, the Group highlighted the development of travel service and modern logistics as its core businesses by focusing on “travel and logistics”. It also accelerated the development of “Yueyun Energy”, “Yueyun LOYEE” convenience stores, FLY-E Bus Express (網上飛巴士速遞) and other new business and actively explored a new model of “transportation + tourism” with each business segment maintaining stable growth.

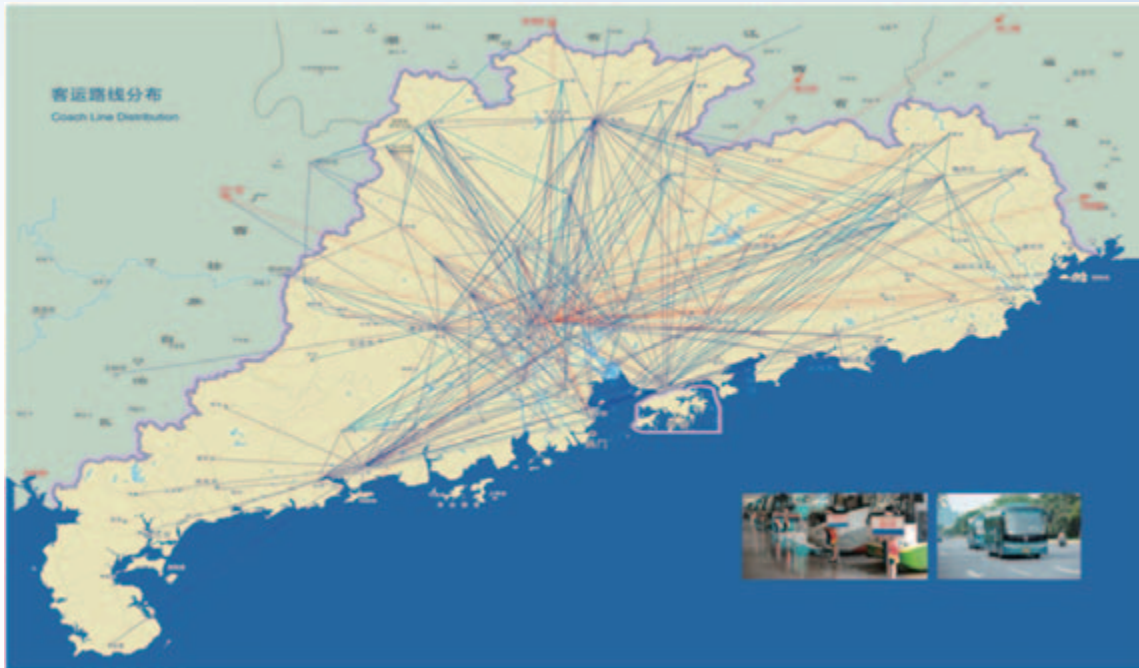
I. Travel Service Segment

1. Road passenger transportation and auxiliary services

(1) Business description

The Company is mainly engaged in transportation within Guangdong Province, transportation between Guangdong Province and other provinces, cross-border transportation between Guangdong Province and Hong Kong, as well as the provision of management of passenger and cargo transportation terminals. Our road passenger transportation business has been conducted mainly in Hong Kong, Guangzhou, Shenzhen, Zhaoqing, Yangjiang, Heyuan, and Shantou, and has covered major cities in Guangdong, Guangxi, Hunan, Fujian and Jiangxi, forming a rapid transportation network with numerous transportation lines intersected in Southern China. Our flagship brand of “Yueyun Express” was the first provincial famous trademark in the road transportation industry in Guangdong Province as well as a large road transportation enterprise with remarkable scale and strength in China.

In recent years, the Group has been strengthening, expanding and optimizing the principal business of road transportation and expanding the coverage of its passenger transportation network within Guangdong Province by acquiring many passenger transportation companies in Zhaoqing, Yangjiang, Heyuan, Qingyuan, Shaoguan, Shanwei and other cities under the development model of “Acquisition — Consolidation — Growth”. We have seen the initial scale effect of our networks, with the terminal network and route network continue expanding. As at the end of 2016, we had 82 passenger terminals with 7,820 operating vehicles and 1,461 passenger transportation routes. We adhered to the mission of “serving the society and creating nice travel experience (服務社會、美好出行)” and continued to improve customers’ travel experience. Leveraging on our advantage from the expansion of our passenger transportation routes into 623 villages and towns across Guangdong Province, we, together with our peers in the province, has established Guangdong Wangshangfei Logistics Technology Co., Ltd. (廣東省網上飛物流科技有限公司) for the establishment of a small parcel express platform and the provision of more convenient, efficient and comprehensive logistics services to mass customers.



(2) Business review

Regional road transportation resources were further acquired and consolidated under the development model of “Acquisition — Consolidation — Growth” to improve the network of passenger transportation routes and terminals. Qingyuan City Yueyun Vehicles Transport Co., Ltd. (清遠市粵運汽車運輸有限公司) (“**Qingyuan Yueyun**”) completed its acquisition of local Qingxin Transportation Company (清新交通公司) and consolidated its urban public transport resources. Zhaoqing Yueyun Vehicles Transport Co., Ltd. (肇慶市粵運汽車運輸有限公司) completed its acquisition of county passenger transportation routes resources from City West Branch Company (城西分公司), completed its acquisition of 30% equity interests in Deqing Yueyun Passenger Station (德慶粵運汽車客運站) to wholly-own the station, and actively promote the preliminary arrangements for the acquisition of Huaiji County Huitong Public Vehicle Co., Ltd. (懷集縣懷通公汽公司). During the year, the Group entered into a letter of intent with Zhanjiang City SASAC and currently is proceeding with the preliminary arrangements as scheduled for the acquisition and consolidation of Guangdong Province Zhanjiang Vehicle Transportation Group Co. Ltd. (廣東省湛江汽車運輸集團有限公司). As at 31 December 2016, the Group owned 3,775 licenses for passenger transportation routes, 1,461 passenger transportation routes, 7,820 operating vehicles and 82 passenger terminals.

Number of passenger transportation routes	Number of licenses for passenger transportation routes	Number of operating vehicles	Number of passenger terminals
1,461	3,775	7,820	82

The Group has improved its transportation business system and explored a new model of “transportation + tourism”. The Group further improved its road transportation system through enhancing the transportation trunk lines and seizing the transportation feeder lines and actively expanding the rural passenger transportation market. As at 31 December 2016, the Group owned 2,942 vehicles for passenger transportation, 3,085 vehicles for urban public transportation, 723 vehicles for rural passenger transportation, 837 taxis and 233 contracted and other vehicles. Throughout the year 2016, a total of 55.2795 million passengers were carried for passenger transportation on a self-operation basis, representing an increase of 6.01% as compared with the same period in 2015. The Group took full advantage of its strength in its own transportation resources network and actively expanded its “transportation + tourism” business by combing local tourism resources, with a total of 51 “transportation + tourism” routes developed. Qingyuan Yueyun made use of ordinary available seats of “Yueyun Express” to attract tourist customers with through tickets at lower prices. Shaoguan City Yueyun Vehicle Transportation Co. Ltd. (韶關市粵運汽車運輸有限公司) established a tourism and transportation company and took advantage of Danxia Mountain and other tourism resources to provide diverse travel service and experience to passengers. Guangzhou Yueyun Transportation Co., Ltd. (廣州粵運交通運輸有限公司) actively revitalized resources of available seats by launching the routes of Zhongshan to Mall of the World (中山至廣州花城匯), Guangzhou to Shunde Chuanlord Holiday Manor (廣州至順德長鹿休博園), Zengcheng to Erlong Mountain (增城至二龍山) as well as other tourism and transportation service products. Guangdong Yueyun Langri Co., Ltd. (廣東粵運朗日股份有限公司) developed “no shopping” routes within Guangdong Province by utilizing its advantage in transportation resources and cooperated with banks, medias, shopping malls, schools and other institutions to boost the sales and public recognition of its tourism products. Shanwei City Yueyun Vehicles Transportation Company Limited (“**Shanwei Yueyun**”) developed passenger stations into tourist transport centers and made full use of available transportation capacity to promote the route for one-day tour in the Wonderland Plums of Garden, Luodong, Luhe County (陸河縣羅洞世外桃園).

The Group was oriented by travel demand and initiated change of operation model. The Group increased the reclamation and self-operation of contracted vehicles and reclaimed a total of 313 contracted vehicles in 2016. As at 31 December 2016, the Group owned 5,102 self-operated vehicles, with the overall proportion of self-operated vehicles reaching 65.24%, an increase of 4.98 points as compared with the same period in 2015. The Group also implemented lean management for the reclaimed vehicles and passenger transportation routes to improve the profitability of each passenger transportation route. In addition, in light of the industrial policies for new energy vehicles of the PRC, the Group vigorously promoted “0-50 km bus operation” model for Shanwei Yueyun, which helped in reducing operating costs and increasing market share in local transportation market. As at 31 December 2016, the Group owned 818 new energy vehicles. The Group actively promoted the pilot reform on autonomous organization of passengers, personalized services and coordinated transport. The Group completed the pilot reform of 20 routes for autonomous organization of passengers, 38 customized routes and 7 customized contracted routes. It also initiated the new model of “cross-border + domestic” transportation in Leliu Service Zone, resulting in an increase in the actual loading rates while assuring convenient travel for passengers. Moreover, the Group also promoted the construction and planning of skid-mounted refueling stations and took initiatives in procurement to reduce fuel costs. In 2016, the Group constructed and put into use a total of 24 skid-mounted refueling tanks with fuel costs of over RMB51.1093 million saved.

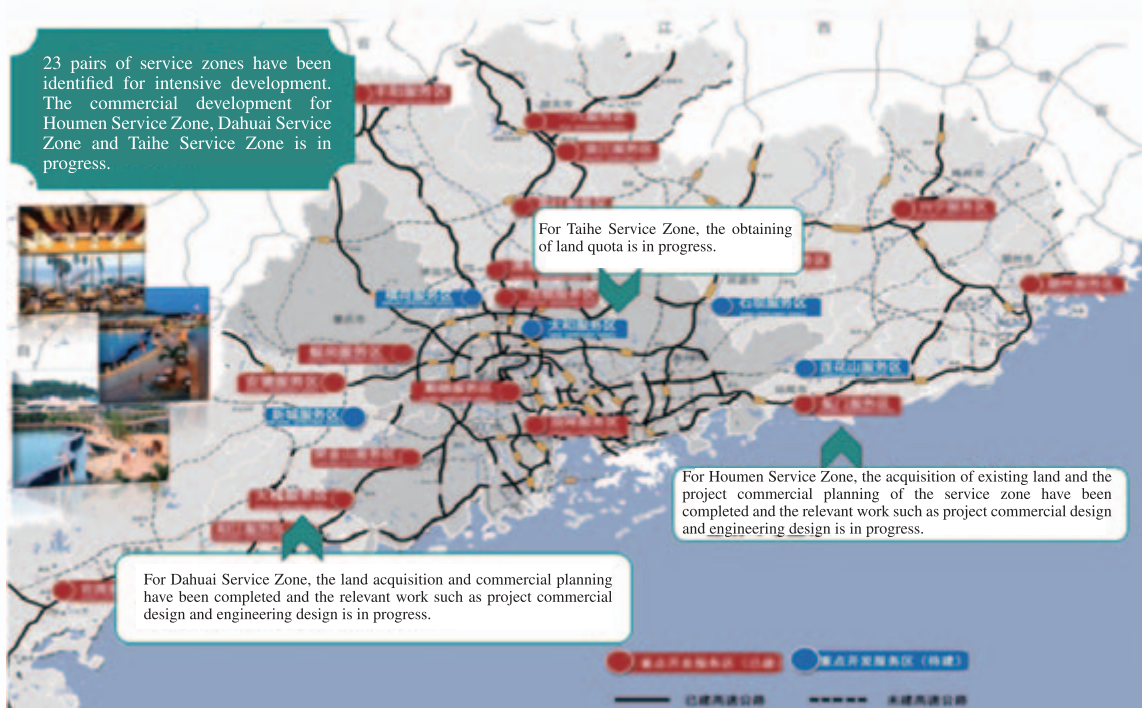
The Group optimized passengers' travel experience by virtue of information-based means. The Group gradually promoted the implementation of the overall plan for information technology and actively developed “Smart Yueyun (智慧粵運)”. After two years of operation, Yueyun Transport WeChat Public Platform has gradually become a marketing and promotion platform for online business. In 2016, the passenger ticketing systems of 69 terminals under the Group were connected online, which made it more convenient to purchase tickets. As at the end of 2016, we have recorded a total of 920,000 tickets sold and RMB62.9354 million of ticket sales generated through Yueyun Transport WeChat Public Platform which was followed by 1,109,200 users. In addition, the Group cooperated with Nanyuetong Network Ticketing Platform (南粵通聯網售票平台), China Post EMS WeChat Platform (中國郵政EMS微信平台) and 114 Best Tone WeChat Platform (114號碼百事通微信平台) to further expand the coverage of its network on the basis of its self-developed cross-border network ticketing system. To meet passengers' travel requirements and promote the transformation and upgrade of traditional business, the Group has developed and launched “Yuexing悦行” APP. Meanwhile, network ticketing platforms of the Group within Guangdong Province cooperated with Guangzhou Passenger Transportation Network Ticketing System (廣州市客運聯網售票系統) to sell tickets for each other, which enabled the connection of ticketing systems for 17 passenger terminals in Guangzhou and further expanded the coverage of the Group's network. The Group has also reached strategic cooperation with Alitrip under Alibaba Group and become the first strategic partner of Alitrip in the transportation industry in Guangdong Province. Through the cooperation with Alitrip, the Group will provide passengers with faster, cozier and safer travel experience and enhance the brand awareness of “Yueyun Express”. During the year, the Company ranked third on the list of “Top 100 Trustworthy Road Transportation Enterprises in China (百強誠信企業)” by the China Road Transport Association.

2. *Service zone operation*

(1) Business description

The service zone operation segment mainly operates food and beverage services, convenience stores, refueling stations, vehicle repairs and relevant auxiliary services in expressway service zones. Currently, the Group operates a total of 99.5 pairs of service zones (including parking lots). Through years of operation, this segment has made significant achievement in enhancing its quality control system, standardized management and capability to provide public and commercial services. Meanwhile, it has also made active exploration and significant breakthrough in the intensive commercial development of service zones to increase their commercial value. It initiated standardized operating activities through management system and created brand image by introducing CIS system. Furthermore, it consolidated the management of service zone business to implement comprehensive budget management and conducted quality certification to assure service quality. It proposed an innovative concept of establishing CSE system to take Clean, Safety and Environment as the fundamental assurance system for service zone operation and strive to develop a benchmark for the service zone industry. On one hand, it actively put forward modern chain operation model to create economies of scale, introduced brand enterprise to take advantage of its management experience and created the brand of LOYEE convenience stores. On the other hand, it selected 23 pairs of quality service zones to explore new industrial development and operation model for service zones and launched five commercial property projects first in Houmen, Dahuai, Liangjinshan, Taihe and Henghe.

Business transformation of existing service zones: completing service projects and improving service quality. Commercial property transformation for Xiangang and Reshui Service Zones was completed in 2013. Commercial property transformation planning for Dahuai Parking Lot was conducted in 2014. Intensive commercial development for some service projects: attempting to build regional commercial centers. For example, by virtue of its location advantage and surrounding marine resources, Houmen Service Zone project will provide commerce, accommodation, tourism, food and beverage and other comprehensive leisure and entertainment functions while fulfilling demand from drivers and passengers on expressways and surrounding urban residents. Dahuai Lvzhou Service Zone project was positioned as a transportation and commercial complex integrating food and beverage, shopping, commerce, logistics, leisure, tourist transport, accommodation and other functions.



Looking forward, we will focus in Guangdong Province to develop our service zone operation and strive to become a comprehensive developer and operator of expressway service resources chain with international standards. We will focus our efforts on the development and operation of service zone resources within Guangdong Province before attempting to expand into other provinces. Meanwhile, we will compare with leading international enterprises and bring our capability and performance to international top level. We will take chain model and comprehensive development model as our main business models and endeavor to maximize the value of resources. We will control the high-value sections in the business chain and provide quality, efficient and value-added services to “people”, “vehicles” and “cargos” to achieve value maximization.

(2) Business review

In 2016, the Group continued to expand its scale in service zone operation. The Group had completed the contract signing of contracted operating right and construction and operation for eight pairs of service zones such as Chaozhou-Huilai Expressway, Jiangmen-Luoding Expressway and Luoding-Yangjiang Expressway. As at 31 December 2016, the Group operated 99.5 pairs of service zones, 154 gas stations and 184 convenience stores of expressway services zones. The Group also actively explored urban transportation hub property management and operation model, and successfully obtained franchise rights of the square in front of the Shanwei High Speed Rail Station in the year, to achieve property operation and management brand licensing.

Operated service zones (pairs)	Operated gas stations (units)	Operated convenience stores of expressway services zones (units)
99.5	154	184

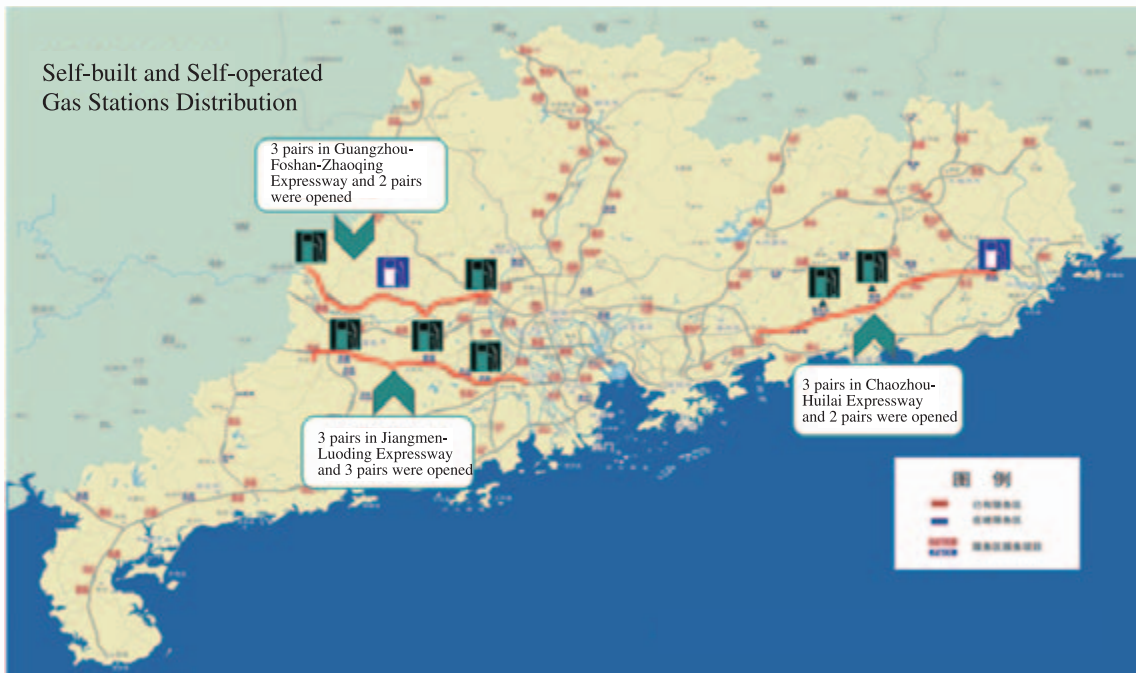
The commercial transformation and the commercial development of service zones will be promoted steadily to comprehensively improve the commercial value of service zones. Shunde Service Zone successfully introduced the famous brand “Starbucks”, Yangxi Service Zone introduced “Greenery Café (綠茵閣)” and Liangjinshan Service Zone introduced “Nissei (日世)”, to provide more plentiful spending experience at service zones to drivers and passengers. There were further progress in commercial real estate business of the Group. During the year, the area for attracting merchants achieved 73,695 sq.m. the average annual rent per square metre achieved RMB2,371.65, an increase of 22.54% from the same period last year; the Group accelerated the business development of key node service zones. For Houmen Service Zone business development project, the acquisition of existing land and the project commercial planning of service zone have been completed, and the Group currently is carrying out the relevant work such as project commercial design and engineering design; for Dahuai Service Zone, the land acquisition and commercial planning have been completed, and the Group currently is carrying out the relevant work such as project commercial design and engineering design; for Taihe Service Zone, the Group is actively carrying out the relevant work such as obtaining project land use indicators.

During the year, the Group was recognized as “The Excellent Management Company of Service Zone in PRC Expressway (中國高速公路優秀服務區管理公司)” in “The Second Session of The Excellent Management Company of Service Zone in PRC Expressway (第二屆中國高速公路優秀服務區管理公司)”, which further improved its popularity in our industry.

3. Energy Business

(1) Business description

The energy segment is an emerging business segment of the principal business of the Group. By integrating expressways, expressway service zones, passenger terminals and other resources of the Group, the Group has integrated the implementing entities of the existing refined oil business. In 2016, the Group built an energy business development platform, invested in the construction of gas stations and comprehensively developed the retail business of refined oil products, in order to enhance its overall financial strength and scale strength and enhance its anti-risk ability. The Group will strive to build a “warehousing - transportation - sales” professional operation and sales system for refined oil in future. The Group actively explored the cooperative business model and used idle lands in the parking areas of service zones to construct LNG refueling stations. By virtue of the encouragement and support policies related to electric vehicles and charging stations issued by the State, coupled with the government planning of each region, the Company promoted the procurement of new energy buses and the construction of charging piles.



(2) Business review

With expansion into the energy industry, the Group initiated a new model by setting up self-built and self-operated gas stations. In 2016, the Group accelerated the investment and construction of 18 self-built and self-operated gas stations in 9 pairs of service zones along Chaozhou-Huilai Expressway, Jiangmen-Luoding Expressway and Guangzhou-Foshan-Zhaoqing Expressway. More than 30 open tender projects were completed, including geological exploration, construction cost review, visual identity, refueling station management system and intelligent monitoring and control mechanism for 18 self-operated refueling stations; business licences, construction project planning permits and construction land planning licences for 16 self-operated refueling stations were obtained; and more than 50 permits, approvals, certificates and licences were obtained in respect of environmental impact assessment, lightning protection, safety monitor and fire prevention, etc. By the end of 2016, a total of 14 “Yueyun Energy (粵運能源)” gas stations were officially put into operation, including 2 pairs of gas stations of the Lianhuashan Service Zone and the Luhe Service Zone along Chaozhou-Huilai Expressway, 3 pairs of gas stations of the Siqian Service Zone, the Xincheng Service Zone and the Pingtang Service Zone along Jiangmen-Luoding Expressway and 2 pairs of gas stations of the Dinghushan Service Zone and the Fengkai Service Zone along Guangzhou-Foshan-Zhaoqing Expressway. “Yueyun Energy” gas stations mainly sell No.0 diesel and Nos.92, 95 and 98 gasoline, and each station also has a “LOYEE (樂驛)” convenience store, which provides various payment methods such as cash, refueling cards, UnionPay cards, WeChat and Alipay, so as to comprehensively increase the refueling consumption experience for vehicle owners.

The Group accelerated the layout and integration of energy business, and promoted the implementation of energy business development planning. The Group actively promoted the self-construction and self-operation of gas stations in service zones along the new expressway sections with annual refueling capacity of over 20,000 tonnes/pair and proactively arranged the layout of energy business such as LNG refueling stations, charging piles and solar photovoltaic power stations. The Group has established strategic cooperative partnership with China National Petroleum Corporation (CNPC), CNOOC Limited and Sinochem Oil Guangdong Co., Ltd. (中化石油廣東有限公司) in the year 2016. The Group also accelerated cooperation with other entities such as China Southern Power Grid, to constantly explore the charge pile business model in service zones.

4. Convenience Store Retail

(1) Business description

According to the “13th Five-Year Plan” of the Company, “Yueyun Loyee” convenience stores will serve as an important O2O platform for the Group’s various businesses and also serve as an important carrier for the development of various offline expressway businesses. “Yueyun Loyee” convenience stores enhanced brand reputation and market share steadily by adhering to the core idea of “Continuation of Happiness along the Post Road with Me (快樂延續, 驛路有我)”, focusing on high-quality “Goods+Services (商品+服務)” and utilising specialization and brands to commence operations. “Yueyun Loyee” convenience stores will create a comprehensive service station for traffic, life and travel, with functions such as distribution of passengers, ticket sales, car rental, small parcel express delivery, logistics and distribution, tourism product sales and experience zones. In the next five years, “Yueyun Loyee” will be based on expressway service zones and passenger terminals of the Group, gradually expand into cities and communities and endeavor to build the convenience store network covering expressways, passenger terminals and the 3rd and 4th tier cities and villages, striving to become a famous expressway brand and a well-known chain enterprise in Guangdong Province.



(2) Business review

The Group implemented the convenience store business development plan and accelerated the layout of “Yueyun Loyee” retail network. Full efforts were dedicated to operate, optimize and strengthen the retail business according to the “one platform, three-driver chariot” strategy. In 2016, the Group opened 182 new convenience stores. Among them, 80 new convenience stores were opened in service zones and 102 convenience stores were opened at passenger terminals. By the end of 2016, the Group had opened 302 convenience stores, of which 184 stores were located at expressway service zones and 118 stores were located at passenger terminals. A sizable provincial retail chain operation network was initially established, and opened up the road to the development of a localized chain of convenient stores. “Yueyun Loyee” convenience store business model has been recognized by the industry peers. The Group successively reached a cooperation with Maoming Transportation Construction Investment, Jiangmen Automobile Transportation and Tianhe Coach Terminal, pursuant to which “Yueyun Loyee” convenience stores will be opened at passenger terminals operated by them. The Group successfully achieved the brand and management output, and completed the expansion of 59 “Yueyun Loyee” franchise stores in 2016.

The Group promoted the development of online and offline integration to explore specialized operation. The Group launched a series of merchandise sales promotional activities to promote the sales of over 30 types of popular products, various interactive activities with fans were launched online through WeChat public number and sent early New Year greetings to general customers, consumers and fans of WeChat public number. The Group made great efforts to optimize the operation and management capability and service level while promoting the expansion of the convenience store network, which has given full play to the local procurement advantages of each local company and accelerated the expansion of commodity categories. By the end of 2016, convenience stores had 2,074 commodity categories, and the Group set up the warehousing logistics system of “Central Warehouse-Divisional Warehouse-Store (總倉-分倉-門店)” and completed the relocation of the central warehouse and the construction of 4 divisional warehouses. The Group strengthened the supply chain management through information means and optimized the delivery schedule to improve the turnover rate and supply efficiency for convenience stores. In addition, the Group carried out the feasibility study on the establishment of specialized companies for convenience stores to promote the integrated and professional operation of “Yueyun Loyee” convenience stores. “LOYEE” was awarded the “Famous Brand of China’s Expressway Service Zone (中國高速公路服務區知名品牌)” in 2016.

5. *Automobile Service Business*

Guangdong Yueyun Traffic Rescue Co., Ltd. (廣東粵運交通拯救有限公司) (“**Yueyun Rescue**”), a subsidiary of the Company, is a professional road rescue enterprise and offers road rescue services for GCGC’s expressways. After four years of development, it has promoted the introduction of unified expressway fee standards for vehicle rescue in Guangdong Province, and established a set of safe and efficient rescue operation process and standards to improve the industry situation. Currently, Yueyun Rescue has a total service mileage of approximately 3,969 km, accounting for 52% of the expressway traffic mileage in Guangdong Province, and thus it has become a leader in the domestic expressway rescue industry.

For other automobile service related business of the Group, some local companies have tried to carry out a small amount of business in accordance with the local market environment. For example, Guangdong Yueyun Langri Company Limited has been engaged in the automobile repair business and other businesses. Furthermore, some local companies are actively approaching driving training business, insurance agency business and other business opportunities when they are gradually emerging, which is under a feasibility study stage.

II. Modern Logistics Segment

1. *Material Logistics Business*

(1) Business description

For material logistics business, the Group is mainly engaged in the management of material logistics for expressway and other large infrastructure projects, providing customers with logistics services throughout the whole process from procurement of engineering materials, storage and distribution, onsite supply management of project to material information consultation, based on expressway infrastructure projects, by applying the logistic mode integrated with procurement and supply chain. The Company is one of the first batch of Class 5A steel distribution enterprises in the PRC. The Dongguan Storage and Transportation Centre of the Group has maintained a steady development since its commencement of operation in 2012. Meanwhile, the Group actively cultivated high-end asphalt brand and worked with the South China University of Technology and other universities to carry out research and development cooperation, and the existing product line covers a full range of emulsified asphalt for expressways and high-speed railways.

According to the “13th Five-Year Plan” of the Company, the material logistics business will focus on various businesses of GCGC and take the “Guarantee of Supply (保供應)” as an important task. The Group will optimize its structure at the same time to focus on the development of asphalt and steel logistics business and downsize the cement logistics business when appropriate. In addition, the Group will expand its business, seize market opportunities, cultivate market capacity and expand business scope, so as to find a breakthrough opportunity in terms of steel warehousing logistics, deep processing, e-commerce platform as well as asphalt research and development and processing.

(2) Business review

The Group spared no efforts in the material supply management of projects with GCGC and proactively developed business in the market. In 2016, the Group completed the material supply and construction of 26 projects in total, including 10 projects with GCGC (including the expansion project of the Guangzhou-Qingyuan Expressway, Zhaoqing- Huadu Expressway, Luoding-Yangjiang Expressway, Baotou-Maoming Expressway, Chaozhou-Huilai Expressway, Pingyuan-Xingning Expressway, Jiangmen-Luoding Expressway, Humen Second Bridge, Jieyang-Boluo Expressway, and Xingning-Wuhua section of Xingning-Shanwei Expressway) and 16 projects with parties other than GCGC (including Guangzhou-Foshan Ring City Rail Transit, the Xintang-HongMei Section of Guangzhou-Dongguan-Shenzhen Intercity Rail Transit, Guangzhou Metro Line 6, Guangzhou Metro Line 8, Guangzhou Metro Line 21, Ren Xin Expressway, Hubei Communications Investment, Guangzhou-Gaoming Expressway, Dongguan-Huizhou Intercity Rail Transit, Guangzhou- Qingyuan Intercity Rail Transit, North Third Ring Expressway, the Huazhou-Zhanjiang Section of the Shantou-Zhanjiang Expressway, Jieyang-Puning-Huilai Expressway Maintenance, the Lianping-Yingde Section of the Longchuan-Huaiji Expressway and Guangzhou-Zhongshan-Jiangmen Expressway and Jieyang-Huilai Expressway). The Group supplied 567,100 tons of steel, 2,134,800 tons of cement and 233,500 tons of asphalt in 2016. The Group also proactively developed the material supply business in the market. In 2016, the Group won a bid to supply 198,300 tons of steel with a bidding amount of approximately RMB477 million, a bid to supply 275,300 tons of cement with a bidding amount of approximately RMB96 million and a bid to supply 53,400 tons of asphalt with a bidding amount of approximately RMB194 million.

Examination and delivery of the Dongguan wharf project of the Group had been completed, and its commercial value will be further released. In 2016, the Group successfully completed the examination and delivery of the Dongguan wharf project and obtained the wharf operation licence. The scope of business was expanded to the loading and unloading and transshipment of bulk cargo such as steel and coal from the original docking and loading and unloading of asphalt. In order to conduct the wharf bulk cargo business as soon as possible and to increase the operating efficiency of the wharf, the Group established a wharf business marketing office and intended to seek cooperation partners in various ways. Meanwhile, the Group actively carried out the coordination of work on customs and domestic and foreign trade. Following the division of domestic and foreign trade, the wharf was expected to handle the loading and unloading and transshipment of domestic trade bulk vessels. The asphalt warehousing business of the Group maintained steady operation. In 2016, the Group accumulated 199,000 tons of inbound asphalt and 211,900 tons of outbound asphalt, with 41 asphalt vessels docked.

2. Small Parcel Express Delivery Business

(1) Business description

The Group has co-founded Guangdong Wangshangfei Technology Co., Ltd. (廣東網上飛科技有限公司) (“**Wangshangfei**”) with several large transportation enterprises in the province, including Guangzhou Transportation Group, Foshan Automobile Transportation Group, Jiangmen Automobile Transportation Group and Maoming Transportation Construction Investment. The “FLY-E Bus Express (網上飛巴士速遞)” business operated by Wangshangfei is a fresh new business model in the domestic, which is a standard and high-efficient logistics platform built up through frontier technologies such as Internet and big data and can gather the resources of local cities and towns in the province, such as passenger terminals, passenger buses, expressway service zones and convenience stores. It connects the province’s terminal network consisting of more than 400 passenger terminals and uses empty bus luggage compartment to create scarce products in the market, including the “Timing Delivery (計時達)”, “Same-day Delivery (當日達)” and “Mini Parcels (迷你件)”. Meanwhile, it provides price insurance, insurance, signing of receipt, collection on delivery and other mainstream value-added services, so as to provide customers with more convenient cargo courier services.

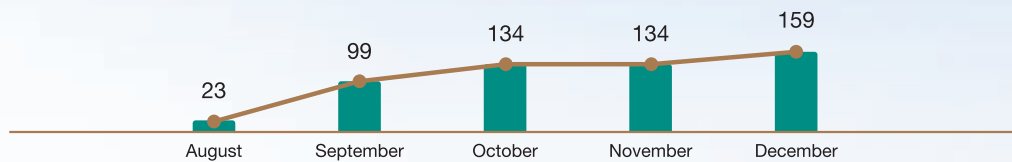
Speedy, safe and low cost are the core advantages of the “FLY-E Bus Express” business. Currently, on a daily average basis, about 40,000 buses are dispatched in the province, and there are more than 50,000 passenger buses operating inside and outside the province, with 20 to 60 minutes interval for inter-city lines and 30 minutes interval for rural lines. The high level of frequency can ensure that the “FLY-E Bus Express” has a high level of punctuality. Passenger transport route is a point-to-point transport, and goods generally do not need transshipment or need transshipment very few times. Therefore, the possibility of damage to goods is very small, which can protect the transportation safety of goods to the greatest extent. The “FLY-E Bus Express” can reuse the empty luggage compartment resources of the existing passenger buses, which can greatly reduce the logistics and transportation costs.

(2) Business review

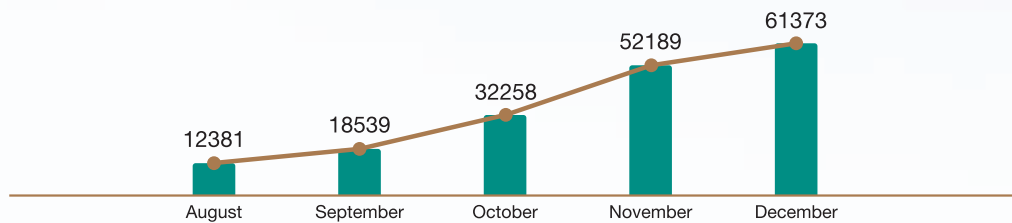
In 2016, Wangshangfei completed the establishment of network infrastructure for the “FLY-E Bus Express” business, enabling it to achieve on-line operation, and reached business cooperation with an industry leader, SF Express. Both parties will use their core resources and advantages to conduct cooperation, so as to provide customers with differentiated products and services with more advantages. By the end of 2016, 159 outlets had been put into operations, leading to the initial realization of direct delivery and one-time transshipment network operation service at 155 major passenger terminals in 14 prefecture-level cities of the province. In December 2016, it recorded 61,373 pieces of freight bills and a freight fee of RMB1.41 million. Wangshangfei actively sought to cooperate with third-party platforms to carry out accurate marketing, innovative products and services, and has successfully organized a number of promotion events for high-quality food ingredients, such as the trial sale of Qingyuan chicken on “Double Eleven Day (雙十一)” with sales reaching more than 1,000 on that day.

On-line Operation of the “FLY-E Bus Express” in 2016

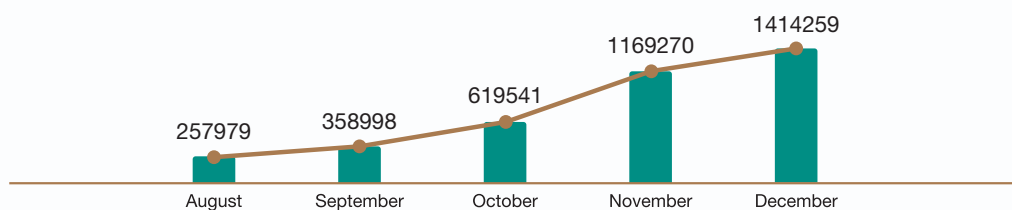
NUMBER OF OUTLETS



NUMBER OF FREIGHT BILLS



FREIGHT FEE (UNIT: RMB)



III. Resource Development Segment

1. Operation of Taiping Interchange Assets

(1) Business description

The Group's business also includes the operation of and toll fee collection for Taiping Interchange of Guang-Shen-Zhu Expressway (廣深珠高速公路太平互通立交) (“**Taiping Interchange**”). Taiping Interchange is located approximately 4 km east of Humen Township in Dongguan City, linked with the east approach road of Humen Bridge on the west, connected with the Guangzhou-Shenzhen Expressway on the east and connected with local trunk roads in Humen and Daning. It is a multi-limb interchange project. The overall length of Taiping Interchange is 12.7 km, of which bridges have a length of 4.8 km with a total of 12 bridges. It is an important supporting facility of Humen Bridge, and is also the hub interchange connecting with Guang-Shen-Zhu Expressway and Humen Bridge. The design speed of Taiping Interchange is 120 km/h on the main carriageway, 80 km/h on the connecting ramps to the main carriageway and 40 km/h on the secondary ramps. Taiping Interchange has a daily traffic volume of approximately 107,800 vehicles, which is an important node project in the entire road network system connecting Guangzhou, Shenzhen and Zhuhai and the Pearl River Delta. Taiping Interchange was built up and opened simultaneously to traffic with Humen Bridge on 1 July 1997, and it is the important source of cash flow and profit for the Company.

(2) Business review

In 2016, Taiping Interchange's toll fee collection business achieved certain growth as compared to the corresponding period in 2015 due to the organic growth of traffic volume of the first class vehicles (i.e. 7 and below-seater sedan passenger cars and 2 ton and below trucks). By the end of 2016, Taiping Interchange recorded operating income of approximately RMB200 million, representing an increase of 5% as compared to the corresponding period in 2015, which continued to contribute stable cash flow to the Group.

2. Advertising Media Business

(1) Business description

The advertising media business focuses on investment in, operation and management of expressway advertising resources for GCGC. On the basis of providing customers with one-stop advertising column service ranging from planning, construction, programming, design, advertising to monitoring, the Group is strengthening its capacity in terms of the advertising media business planning and marketing.

(2) Business review

The Group stepped up its efforts in the digital transformation of traditional media and actively expanded its digital media advertising business. The Group promoted the construction of digital media by constructing a total of 1 LED electronic screen and 208 digital LCD screens covering 5 expressways, namely, the Guangzhou-Lechang Expressway, the Guangzhou-Shenzhen Expressway, the Jiangzhong Expressway, the Fokai Expressway and the Yue- Gan Expressway in 2016. The Group completed the expansion of the "Xinguang Digital Cinema" project into 17 passenger terminals in 2016. Meanwhile, the Group continued to enhance its efforts in consolidating the expressway media resources and passenger transportation media resources. As at the end of 2016, the Group held the operation rights of 430 outdoor columns along 53 highway sections.

The Group strengthened its marketing efforts in advertising media resource. The Group fully took advantage of the favourable opportunity of the Spring Festival travel season to create the "Road of GAC Motor" advertising project for GAC Motor, with good market responses. The Group conducted marketing by making best use of its resource platform and consolidating its resources, and successfully launched the first Festival for Car Owners along the Guangdong Expressway in 2016, that is "the longer you drive with Yueyun, the more joyful and wonderful you will be" (粵運粵行越精彩), to enhance the Group's brand influence. As at the end of 2016, the Group accumulated a total of 16 direct customers and explored 24 channel customers.

3. *Development of Self-owned Land*

(1) Business description

The Group is gradually developing a comprehensive real estate business segment by developing properties at central locations, properties along transportation routes and the development of land bank at important locations of central urban areas. Properties at central locations will be developed on the basis of existing passenger terminals, their construction and operation will be mainly dependent on the inter-city and intra-city transportation infrastructure for the primary business of road transportation to establish terminal business districts. Properties along transportation routes will be developed on the basis of the in-depth commercial development of service zones at important nodes and are mainly dependent on transportation infrastructural construction for their development. The development of the land bank held by the Group at important locations of central urban areas will be accelerated. The land parcels the Group currently holds mainly include the land parcel on Airport Road and the Chang Ban land parcel in Guangzhou urban districts.

(2) Business review

- Land use of the “Three Olds” transformed land parcel on the Airport Road has been adjusted to solely commercial use and the project application will be accelerated subject to the implementation of the “Three Olds” policy.

The Group continued to boost the “Three Olds” redevelopment work of the land parcel on Airport Road. In the first half of 2016, the Guangzhou municipal government promulgated the Measures for the Urban Renewal of Guangzhou City (《廣州市城市更新辦法》). Meanwhile, the publication of the Regulatory Plan for Guangzhou Baiyun District Tang Chong Area (《廣州市白雲區棠涌片區控制性詳細規劃》) was also completed. It has been clarified that the redevelopment of the “Three Olds” land parcel on Airport Road can be self-implemented and the land parcel of the project would be used solely for commercial purpose. In the second half of 2016, the Guangdong People’s Government promulgated the Notice on Enhancing the Transformation Level of the “Three Olds” and Facilitating Economical and Intensive Use of Land (《關於提升“三舊”改造水準促進節約集約用地的通知》), the purpose of which is to boost the “Three Olds” redevelopment work. The Group actively communicated and coordinated with Guangzhou Baiyun District Urban Renewal Bureau. Currently, the project has been included in the “Three Olds” redevelopment annual implementation plan for 2016 and included in the planned scope of approval of the Guangzhou Municipal Urban Renewal Bureau. Meanwhile, the Group launched the preliminary planning scheme and research for cooperation and development, and accelerated relevant work such as development through cooperation and investment attraction. The Group will closely follow the promulgation of the implementation rules of the “Three Olds” redevelopment policy and continue to promote the approval, application and development process for the project.

- The Group has launched its commercial development plan of Yangxi Old Terminal and the project is at the preliminary stage, such as preparation of detailed construction plan.

The Group activated the existing land resource at the passenger terminals and accelerated the development of Yangxi Old Terminal. The Group has completed the preparation of the Business Plan of the Development of Land Resource at the Passenger Terminals (《客運站場土地資源開發業務規劃》) in 2016, and initially determined the preferential development concept and development grade to lay a foundation for revitalizing the land value of the Company and exploring the commercial value of the terminals. In order to enhance the development efficiency of the terminals, the Group actively boosted the development of Yangxi Old Terminal and is currently facilitating the preparation of detailed construction plan such as the site plan for the project planning, floor plan, effect picture and estimation of approximate quantities, and accelerated the preliminary work such as the demolition of the old passenger terminals and the relevant application and approval procedures. Yangxi Old Terminal was located at the prime region in Yangxi County, Yangjiang City, in the proximity of the National Highway 325, with a site area of 9,350.95m² and the land use right type of the granted land was for commercial and residential purposes. At present, the land parcel is proposed to be developed at the plot ratio of 2.2, the building density of 30% and the green space rate of 30%, while the final indicators are subject to the approval of government authorities.

FINANCIAL REVIEW

The Group's annual results for the year ended 31 December 2016

In 2016, operating income from the travel service business segment steadily increased and net profit and net profit attributable to the shareholders of the Company both steadily increased as the Group expanded the scale of operations, vigorously pushed forward the consolidation of its resources and fully utilized synergies.

For the year ended 31 December 2016, operating income of the Group amounted to RMB7,319.264 million (2015: RMB8,709.334 million), representing a year-on-year decrease of RMB1,390.070 million or 16%; gross profit amounted to RMB1,279.384 million (2015: RMB1,306.765 million), representing a year-on-year decrease of RMB27.381 million or 2%. The decrease in operating income for 2016 was due to the decrease in the supply of materials, as a result of substantial completion of certain of its projects of the modern logistics business; the decrease in gross profit was due to (i) the decrease in operating income of modern logistics business, (ii) the increase in depreciation cost as a result of the increase in the number of new energy buses, while the government subsidies of the new energy buses were reflected in the non-operating income.

For the year ended 31 December 2016, the Group realized net profit of RMB460,712,000(2015: RMB366,204,000), representing a year-on-year increase of RMB94,507,000 or 26%; net profit attributable to the shareholders of the parent company (the “**Shareholders**”) were RMB336,619,000(2015:RMB266,020,000), representing a year-on-year increase of RMB70,599,000 or 27%; basic earnings per share were RMB0.44 (2015: RMB0.42 per share), representing a year-on-year increase of RMB0.02 or 5%. The increase in net profit was mainly due to (i) the increase in operating income and relevant income as a result of the expansion of the scale of travel service business, and (ii) strengthening of budget control and capital planning to reduce the Group's management cost and financial cost.

For the year ended 31 December 2016, the gearing ratio of the Group was 56.22% (2015: 59.66%), representing a year-on-year decrease of 3.44 percentage points, resulting in further optimization of its capital structure. Return on net assets was 16.87% (2015: 15.05%), representing a year-on-year increase of 1.82 percentage points, with further improvement of its assets profitability.

SEGMENT INFORMATION

Operating income

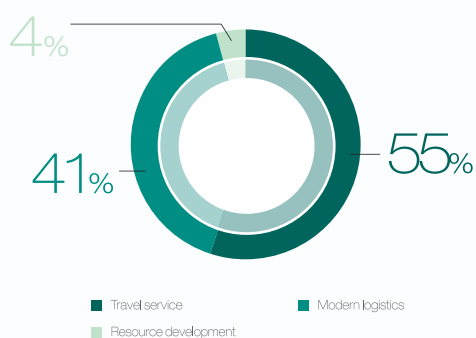
Operating income of the Group for 2016 was mainly derived from three business segments, namely travel service, modern logistics and resource development. Operating income of the Group for 2016 amounted to RMB7,319.264 million(2015:RMB8,709.334 million), representing a year-on-year decrease of RMB1,390.070million or approximately 16%, which was mainly due to the decrease in the supply of materials, as a result of substantial completion of certain of its projects of the modern logistics business.

Operating income by business segments (as at 31 December):

	2016		2015	
	RMB'000	Percentage	RMB'000	Percentage
Travel service	4,014,719	55%	3,786,715	43%
Modern logistics	3,026,369	41%	4,656,192	53%
Resource development	278,176	4%	266,427	4%
Total	7,319,264	100%	8,709,334	100%

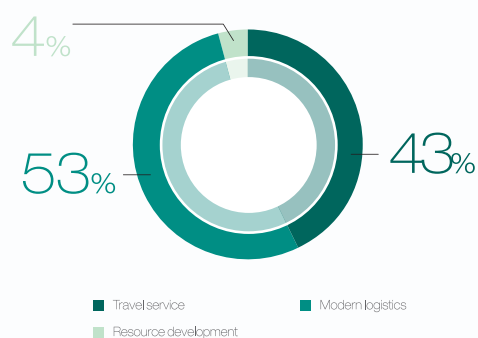
Revenue by business segments

(as of 31 December, 2016 (Percentage))



Operating income by business segments

(as of 31 December, 2015 (Percentage))



1. *Travel service*

Travel service segment is one of the major sources of the Group's operating income. Operating income of such business amounted to RMB4,014.719 million (2015: RMB3,786.715million) for 2016, representing an increase of RMB228.004 million, or approximately 6%, as compared to the same period in 2015, and accounting for approximately 55% (2015: 43%) of the Group's total operating income, of which:

- (1) Road transportation and auxiliary services recorded operating income of RMB3,061.213 million (2015: RMB2,959.512 million) for 2016, representing an increase of RMB101.701 million, or approximately 3%, as compared to the same period in 2015. This was mainly due to the increase in regional companies' network scale effect from mergers and acquisitions through the growth on the reclamation of proprietary routes, the expansion of the scope of operation and the extension of new routes and passenger sources.
- (2) As at 31 December 2016, the number of the Group's operating service zones was 99.5 pairs (2015: 88.5 pairs). Operating income generated from the operations of service zones for 2016 amounted to RMB551.030 million (2015: RMB507.348 million), representing an increase of RMB43.682 million, or approximately 9%, as compared to the same period in 2015. Such operating income growth was mainly attributable to the increase of the number of service zones over the same period in 2015.
- (3) Retail business of convenience stores recorded operating income of RMB325.007 million for 2016 (2015: RMB254.614 million), representing an increase of RMB70.393 million or approximately 28%, as compared to the same period in 2015, mainly due to the increase of the number of "Loyee" convenience stores over the same period in 2015.
- (4) Motor service business mainly represents road rescue business, which recorded operating income of RMB 77.469 million (2015: RMB 65.240 million) in 2016, representing an increase of RMB 12.229 million, or approximately 19%, as compared to the same period in 2015, mainly due to the increase of operational quantities and service subsidies.

2. *Modern logistics*

Modern logistics segment is one of the major sources of the Group's operating income. During 2016, operating income generated from such services amounted to RMB3,026.369 million (2015: RMB4,656.192 million), representing a decrease of RMB1,629.823 million, or approximately 35%, as compared to the same period in 2015, and accounting for approximately 41% (2015: 53%) of the Group's total operating income. The decrease in operating income was mainly due to the decrease in the supply of materials as a result of substantial completion of certain projects.

3. Resource development

Resource development segment is a stable source of the Group's operating income. The operating income generated from such segment in 2016 amounted to approximately RMB 278.176 million (2015: RMB266.427 million), representing an increase of RMB11.749 million, or approximately 4%, as compared to the same period in 2015. Such operating income growth was mainly due to the organic growth of traffic volume for the Taiping Interchange asset operation, of which:

- (1) The Taiping Interchange asset operation recorded operating income of RMB 200.027 million (2015: RMB 191.299 million) for 2016, representing an increase of RMB 8.728 million, or approximately 5%, as compared to the same period in 2015.
- (2) Advertising media business recorded operating income of RMB 72.647 million (2015: RMB72.057 million) for 2016, representing an increase of RMB 590,000 as compared to the same period in 2015.

Gross Profit

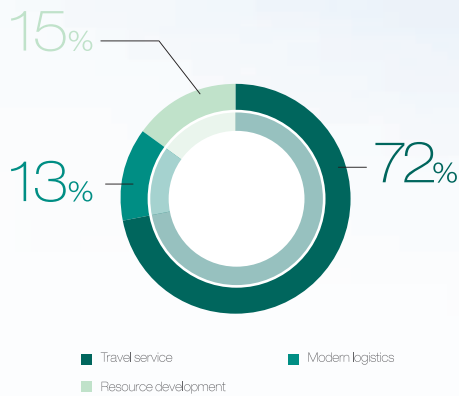
Gross profit of the Group for 2016 amounted to RMB1,279.384 million (2015: RMB1,306.765 million), representing a decrease of RMB27.381 million, or approximately 2%, as compared to the same period in 2015. Gross profit margin was 17% (2015:15%) for the year. Such decrease in gross profit was mainly attributable to (i) the decrease in operating income of modern logistics business; and (ii) the increase in depreciation cost as a result of the increase in the number of new energy buses, while the government subsidies of the new energy buses were reflected in the non-operating income.

Gross profit by business segments (as at 31 December):

	2016		2015	
	RMB'000	Percentage	RMB'000	Percentage
Travel service	918,340	72%	943,348	72%
Modern logistics	162,620	13%	179,928	13%
Resource development	198,424	15%	183,489	15%
Total	<u>1,279,384</u>	100%	<u>1,306,765</u>	100%

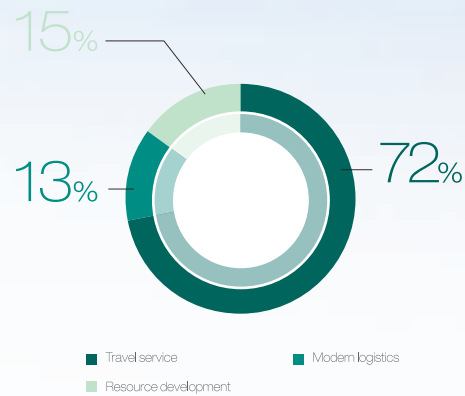
Gross profit by business segments

(as of 31 December), 2016 (Percentage)



Gross profit by business segments

(as of 31 December), 2015 (Percentage)



1. Travel service

Gross profit of travel service segment for 2016 amounted to RMB918.340 million (2015: RMB943.348 million), representing a year-on-year decrease of RMB25.008 million, or 3%, as compared to the same period in 2015 and the gross profit margin was 23% (2015: 25%). Such decrease of gross profit was mainly attributable to the increase in the staff cost from road transportation and auxiliary services and the increase in the depreciation cost of newly added buses.

- (1) Gross profit of road transportation and auxiliary services for 2016 amounted to RMB661.636 million (2015: RMB723.762 million), representing a decrease of RMB62.126 million, or 9%, as compared to the same period last year. Gross profit margin was 22% (2015: 24%) for the year. The decrease in gross profit was mainly due to the increase in depreciation cost as a result of the increase in the number of new energy buses, while the government subsidies of the new energy buses were reflected in the non-operating income.
- (2) Gross profit of service zones operations for 2016 amounted to RMB 100.823 million (2015: RMB 97.486 million), representing an increase of RMB 3.337 million, or approximately 3%, as compared to the same period last year. Gross profit margin was 18% (2015: 19%) for the year. The increase in gross profit was mainly in line with the increase of operating income.
- (3) Gross profit of retail business of convenience stores for 2016 amounted to RMB138.628 million (2015: RMB104.539 million), representing an increase of RMB34.089 million, or approximately 33%, as compared to the same period in 2015. Gross profit margin was 43% (2015: 41%) for the year. The increase in gross profit was mainly in line with the increase in operating income.

- (4) Motor service business mainly represents road rescue service, which recorded gross profit of RMB 17.253 million (2015: RMB 17.561 million) in 2016, representing a decrease of RMB 308,000, or 2%, as compared to the same period in 2015. Gross profit margin was 22% (2015: 27%) for the year. The decrease in gross profit was mainly due to the increase of staff cost resulting from the fact that dispatched laborers have become formal employees and the increase in the number of staff.

2. *Modern logistics*

Gross profit of modern logistics segment for 2016 amounted to RMB 162.620 million (2015: RMB 179.928 million), representing a decrease of RMB 17.308 million, or approximately 10%, mainly due to the decrease of operating income as compared to the same period in 2015. Gross profit margin was 5% (2015: 4%) for 2016. The increase in gross profit margin was mainly due to the fact that the decrease in material cost exceeded the decrease in operating income.

3. *Resource development*

Gross profit of resource development segment for 2016 amounted to RMB 198.424 million (2015: RMB 183.489 million), representing an increase of RMB 14.935 million, or 8%, as compared to the same period in 2015. Gross profit margin was 71% (2015: 69%) for the year. Such increase in gross profit was mainly due to the increase in operating income in 2016 over the same period in 2015.

- (1) Gross profit of the Taiping Interchange asset operation for 2016 amounted to RMB 168.663 million (2015: RMB 152.544 million), representing an increase of RMB 16.119 million, or approximately 11%, mainly due to the increase in operating income. Gross profit margin was 84% (2015: 80%) for 2016.
- (2) Gross profit of advertising media business for 2016 amounted to RMB 31.499 million (2015: RMB 32.346 million), representing a decrease in RMB 847,000 or approximately 3%, mainly due to the increase in the property owner's fixed operating income sharing.

Tax and surcharges

Tax and surcharges for 2016 amounted to RMB 60.900 million (2015: RMB65.489 million), representing a year-on-year decrease of RMB 4.589 million or 7%, mainly due to the impact of the policy on the change from business tax to value-added tax.

Selling and administrative expenses

The Group's selling and administrative expenses for 2016 amounted to RMB760.065 million (2015: RMB777.785 million), representing a decrease of RMB17.720 million or 2% as compared to 2015, which was mainly attributable to the strengthening of its costs control.

Finance expenses

Finance expenses for 2016 amounted to RMB48.055 million (2015: RMB69.999 million), representing a year-on-year decrease of RMB21.944 million or 31%, which was mainly due to the strengthening of capital planning, reduction of interest-bearing liabilities and reduction in the level of comprehensive interest rates.

Provision for impairment losses of assets

Provision for impairment losses of assets for 2016 amounted to RMB30.733 million, representing an increase of RMB23.616 million or 332% as compared to 2015, mainly due to the fact that the Group increased the provision for impairment in view of the weakening of the financial position of individual projects.

Investment income

Investment income for 2016 amounted to RMB26.816 million, representing a decrease of RMB5.101 million or 16% as compared with RMB31.917 million in 2015, which was mainly attributable to the investment income of RMB4.992 million from disposal of available-for-sale financial assets in 2015.

Non-operating income and expenditure

In the year 2016, the Group's non-operating income and expenses amounted to RMB203.805 million (2015: RMB112.121 million), representing a year-on-year increase of RMB91.684 million or 82%, mainly due to an increase of RMB92.741 million in government subsidies as compared to 2015.

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group fully leveraged on the beneficial rate environment of bond market to optimize financial structure and lower overall financial cost through comparatively low cost financial channel such as issuance of corporate bond. The Group enhanced capital allocation through the operation of cash pooling, in order to effectively reduce the need for external borrowings and increase the efficiency of capital utilization. At the end of 2016, the balance of available bank facilities of the Group amounted to RMB3,411.406 million and operating cash net inflow at the end of the period amounted to RMB728.089 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

MANAGEMENT DISCUSSION AND ANALYSIS (All amounts are presented in RMB, unless otherwise stated)

Items	As at	As at 31
	31 December	December
	2016	2015
	RMB'000	RMB'000
Borrowings	1,096,944	1,225,597
Less: Cash and cash equivalents	1,594,659	1,923,407
Net debt	(497,715)	(697,810)
Total liabilities	4,308,328	4,506,195
Total equity attributable to Shareholders	3,354,564	3,046,589
Total equity	2,856,849	2,348,779
Total assets	7,662,892	7,552,785
Gearing ratio	(15.07%)	(29.71%)
Asset to liability ratio	56.22%	59.66%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total equity attributable to Shareholders

Asset to liability ratio = Total liabilities/Total assets

Cash flows

During 2016, the Group satisfied its requirement for payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term liabilities with low interest rates. Cash and cash equivalents during 2016 (after excluding the effect of exchange rate movement) were as follows:

Cash generated from/(used in)	2016	For the year ended 31 December	
		2015	Change
	RMB'000	RMB'000	RMB'000
Operating activities	728,089	966,794	(238,705)
Investing activities	(728,601)	(864,829)	136,228
Financing activities	(336,395)	52,257	(388,652)

Operating activities

The Group's net inflow from operating activities amounted to RMB728.089 million during 2016 (2015: net inflow of RMB966.794 million), representing a decrease of RMB238.705 million, which was mainly attributable to the decrease in the scale of modern logistics business.

Investing activities

The net cash outflow from investing activities during 2016 was RMB728.601 million (2015: net cash outflow of RMB864.829 million), representing an increase of RMB136.228 million, which was mainly attributable to the payment of RMB729.267 million in the acquisition of assets.

Financing activities

The net cash outflow from financing activities during 2016 was RMB336.395 million (2015: net inflow of RMB52.257 million), representing an increase in net outflow of RMB388.652 million, which was mainly attributable to repayments of borrowings of RMB400.743 million during the year.

Borrowings position

As at 31 December 2016, outstanding borrowings of the Group was RMB1,155,248 million, comprising (i) unsecured short-term loans of RMB25 million (31 December 2015: RMB91.3 million); (ii) secured short-term loans of RMB20 million (31 December 2015: RMB34.9 million); (iii) secured long-term loans of RMB183.966 million (31 December 2015: RMB132.963 million); (iv) unsecured long-term loans of RMB93.807 million (31 December 2015: RMB192.958 million); (v) finance lease payables: RMB58.304 million (31 December 2015: RMB0.407 million); and (vi) bonds payable of RMB774.171 million (31 December 2015: RMB773.069 million). As at 31 December 2016, the majority of the Group's borrowings were denominated in RMB and were subject to floating or fixed interest rates.

Major acquisitions and establishment of new companies

For the period ended 31 December 2016, the Group invested in the establishment of 5 new companies, including Guangdong Yueyun Development Co., Ltd. (廣東粵運發展有限公司), Luhe County Yueyun Public Traffic Co., Ltd. (陸河縣粵運公共交通有限公司), Haifeng County Yueyun Public Traffic Co., Ltd. (海豐縣粵運公共交通有限公司), Lufeng City Yueyun Public Traffic Co., Ltd. (陸豐市粵運公共交通有限公司) and Yangjiang City Yueyun Langri Taxi Co., Ltd. (陽江市粵運朗日出租車有限公司), and acquired 4 new subsidiaries, including Guangdong Roadnet Innovalues Media Information Technology Co., Ltd. (廣東路網數媒信息科技有限公司), Heyuan Yue Payment Technology Co., Ltd. (河源市粵支付科技有限公司), Qingyuan City Qingxin District Yueyun Vehicles Transportation Co., Ltd. (清遠市清新區粵運汽車運輸有限公司) and Qingyuan City Qingxin District Yueyun Public Transportation Co., Ltd. (清遠市清新區粵運公共汽車有限公司). The Group had total investment costs of approximately RMB26,318,000 in respect of these new companies.

Major properties held for investment

Name of property	Address	Usage	Types of lease
Compound in No. 1733 Airport Road, Guangzhou	No. 1733 Airport Road, Guangzhou	Operating lease	short-term (within 10 years)
Zijin Old Station — Main Building, Clock Tower, Office of Canteen	No. 99, Jinshan Boulevard Central, Zijin County	Operating lease	short-term (within 10 years)
Apartment for Drivers	Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City	Operating lease	short-term (within 10 years)
Floor 1 to 4, East Block, New Station Office Building, Haifeng County	Northwest of Guangfu Road, Haifeng County	Operating lease	short-term (within 10 years)
Underground Shop, A He An Building, North of Sai Yeung Choi Street, Mong Kok, Kowloon	Underground Shop, A He An Building, North of Sai Yeung Choi Street, Mong Kok, Kowloon	Operating lease	short-term (within 10 years)
Passenger Traffic Center Building in Lianzhou	No. 136, Beihu Road, Lianzhou	Operating lease	short-term (within 10 years)
Complex Building of Vehicle Passenger Terminal in Danxia Mountain	No. 218, Jinxia Community, Danxia Development Zone, Renhua County	Operating lease	short-term (within 10 years)
Commercial Center Property	Next to Xintang Vehicle Passenger Terminal, No.1 Xiangshan Boulevard South, Xintang, Guangzhou	Operating lease	short-term (within 10 years)
Hong Kong Plaza	Unit 13-14, 24/F and Unit 8-12, 31/F, Hong Kong Plaza, 188 Connaught Road West, Sai Wan, Hong Kong	Operating lease	short-term (within 10 years)
King's Court, Wai Ching Street, Jordan Road, Kowloon	No. 1-2 office, 1/F, King's Court, No. 65, 67, 69, 71, 73, 75, Wai Ching Street, Jordan Road, Kowloon, Hong Kong	Operating lease	short-term (within 10 years)

Pledge of assets

As at 31 December 2016, fixed assets at the net value of approximately RMB239.508 million (31 December 2015: RMB202.384 million) and land use rights at the net value of RMB126.497 million (31 December 2015: RMB78.270 million) of the Group were pledged as security for bank borrowings. The Group had no collateral for short-term bank borrowings for investment properties (31 December 2015: RMB1.847 million).

Foreign exchange risk and hedging

Most of the operating income and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure related to cross-border transportation services. In 2016, the working capital and liquidity of the Group were slightly affected by exchange rate fluctuations. The Directors believe that the Group has sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of Renminbi, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

No material contingent liabilities were recorded as at 31 December 2016.

POTENTIAL RISKS EXPOSED

1. *Macro-economic fluctuation risks*

(1) Risks relating to macro-economic fluctuation in the material logistics services business

The Group is a leading integrated transportation and logistics service provider in Guangdong Province and is primarily engaged in various business segments such as travel service segment, modern logistics segment and resource development segment, enabling it with a strong capability to resist risks as a whole. Among these, the material logistics services business of modern logistics segment is one of the Group's most important principal businesses, accounting for a higher proportion in the Group's principal operating income. The material logistics services business of the Group mainly involves the provision of material logistics management services for expressway and other large infrastructure projects and the demand for construction of large infrastructure projects is closely related to the overall national economic operations, scale of national investment in fixed assets, urbanization and other factors. Changes in the demand for infrastructure projects such as expressways as a result of macro-economic fluctuations will have direct impact on the Company's material logistics services business, which in turn could adversely affect the Group's operating income.

(2) Fuel price fluctuation risks

Road passenger transportation is one of the Group's most important principal businesses, of which fuel (including LNG) expenditure is one of the main operational costs, thus fluctuation in fuel price has a significant effect on Such business. On 7 May 2009, the National Development and Reform Commission announced the Administrative Measures on Petroleum Prices (Trial) (石油價格管理辦法(試行)), which stipulates that "the domestic oil product prices may be adjusted accordingly where the moving average price of crude oil changes by over 4% for 22 consecutive working days in the international market". Fuel price fluctuation will result in a change in operational costs and in turn the fluctuation in the Group's profitability. The Group has raised vehicle's running efficiency through increased scale of new energy and clean energy vehicles, bulk procurement of fuel, enhancement of fuel assessment and centralized scheduling of vehicles. Meanwhile, the government offers some fuel subsidies to rural passenger transportation and urban public transportation, which would, to a certain extent, mitigate the impact of fuel price fluctuation on the Group's profitability. However, fuel prices depend on a combination of various factors, such as oil prices in the international market and national control policies for fuel prices. Therefore, future price trends are subject to a certain degree of uncertainty. Sustained rise in future fuel prices will have certain effect on the stability of the Group's profitability in road passenger transport business.

2. *Industry risks*

(1) Risk relating to other transportation modes' competition

After the long-term development, the Group's passenger transportation services account for a higher proportion in passenger transportation market in Guangdong Province and the surrounding provinces. However, in the transportation sector, there is certain substitutability among highway, civil aviation, railway and waterway and in particular highway and railway are highly competitive in medium and short distance transportation market. Faced with competition from other modes of transportation, the Group makes full use of its regional advantages in Guangdong Province to achieve a shift of its business focus by utilizing a mature business model of "merger-consolidation-growth" to avoid direct competition with railway and light rail; develop an irradiation effect of transportation network with rail transit's start and end points by using the flexibility and mobility of motor transportation and leveraging on various types of routes and rich transportation resources to complement advantages of road passenger transportation and rail transit and turn direct competition into cooperative relationship; enhance business consolidation to build a 5-in-1 network development pattern of "routes, urban buses, rural passenger transportation, taxis and passenger terminals" and improve the control of different passenger transportation market segments. Although the Group possesses mature experience in meeting the competition from light rail and other modes of transportation, it faces a risk of being substituted by other modes of transportation in the road passenger transportation business due to increasing impact of high-speed railway and inter-city rail transit on highway transportation along with the economic development and increased investment in transportation infrastructure.

(2) Risks relating to competition in the motor transportation industry

Road passenger transportation is a principal business of the Group. In recent years, the state encourages the merger and acquisition of road passenger transportation enterprises to achieve large-scale operation. For the road passenger transportation business, the Group has secured larger share in Guangdong Province and the surrounding provinces and is an excellent networking and scaling enterprise among the road passenger transportation companies in Guangdong Province with a center on the Pearl River Delta, covering a number of key cities such as Guangzhou, Foshan, Zhongshan, Shenzhen, Shantou, Zhaoqing, Yangjiang, Meizhou and provinces such as Guangxi, Hunan, Fujian and Jiangxi. Notwithstanding outstanding competitive advantages in Guangdong Province and certain barriers in trans-regional operation of motor transportation, the Group is also exposed to a risk of being shunted by other motor transportation companies in the surrounding transportation network due to fierce competition in the road passenger transportation industry.

(3) Risks relating to passenger transportation operational safety

For the Group's road passenger transportation business, the risk of safety accidents caused by problems such as road conditions, vehicle conditions and safety management, being liable for economic compensation due to accidents and penalty imposed by competent transportation authorities cannot be ruled out.

The Group has established a sound safety production management system and its safety indicators remain healthy, much better than the industry's indicators for performance appraisal. Meanwhile, the Group maintains full vehicle and personnel insurance, increases insurance coverage and enhances the ability of security through standardized management of insurance to effectively control economic losses arising from safety accidents. However, in case of the occurrence of major traffic accidents, the Group's reputation and normal operations will be adversely affected.

(4) Risks relating to bad weather and natural disasters

Guangdong Province is situated at the southeast coast of China, which is a region with tropical monsoon climates and abundant rainfall. Due to active warm moist southwest air flows, rainstorms or continuous rainstorms occur every late spring and early summer. It is affected by typhoon in summer. Geological disasters such as avalanches, landslides, mudslides and ground collapses frequently break out in the strong storm concentration area. Such objective factors as the suddenness and uncontrollability of natural disasters may have a direct impact on the Group's business operations.

3. *Policy risks*

Risks relating to sustainability of government subsidies

The state offers oil price subsidies to urban public transportation enterprises and rural road passenger transportation operators. The Notice of the Ministry of Finance, the Development and Reform Commission, the Ministry of Supervision, the Ministry of Transport, the Ministry of Agriculture, the Audit Office and the State Forestry Administration on Further Improving the Subsidy Mechanism for Some Disadvantaged Groups among Grain Farmers and Public Welfare Sectors Following Oil Product Price and Taxation Reforms (財政部、發展改革委、監察部、交通運輸部、農業部、審計署、國家林業局關於成品油價格和稅費改革後進一步完善種糧農民部分困難群體和公益性行業補貼機制的通知) (Caijian [2009] No. 1) stipulates that: “(1) when the oil product ex-factory price as determined by the state is higher than the level prior to the implementation of subsidy by the 2006 oil product pricing mechanism reform, i.e., gasoline exceeds RMB4,400/ton and diesel exceeds RMB3,870/ton, the state shall trigger the oil price subsidy mechanism; when the oil product ex-factory price as determined by the state is lower than the aforesaid level, the state shall stop the oil price subsidies. (2) Upon the start of the oil price subsidy mechanism by the State, oil price subsidies shall be adjusted in line with the oil product price fluctuation, i.e., to increase the subsidies in case of a rise in oil product price and to reduce the subsidies in case of a fall in oil product price. (3) Oil price subsidies borne by the central government shall be settled annually according to the actual conditions.”

As a leading transportation enterprise in Guangdong Province, the Group enjoyed governmental subsidies for its urban public transportation and rural passenger transportation business. In case that the state makes adjustment to policies relating to the industries where the Group operates, the Company will be exposed to certain operational results fluctuation risks.

5 YEARS FINANCIAL SUMMARY

(Expressed in RMB'000)

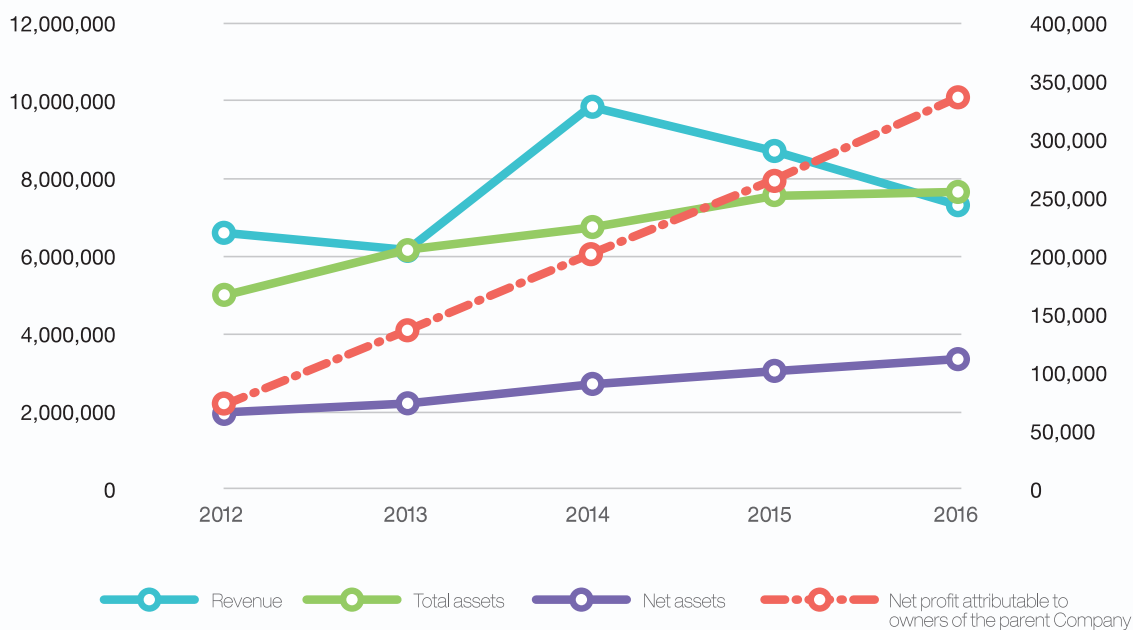
For the years ended 31 December	2016	2015	2014	2013	2012
Operating income	7,319,264	8,709,334	9,878,072	6,165,832	6,610,453
Total profit	610,252	530,412	420,688	298,287	223,338
Income tax expenses	(149,540)	(164,208)	(127,099)	(88,140)	(77,927)
Net profit	460,712	366,204	293,589	210,147	145,411
Net profit attributable to shareholders of the Company	336,619	266,020	202,796	135,893	72,535
Profit and loss attributable to minority interests	(124,093)	(100,184)	(90,793)	(74,254)	(72,876)

ASSETS AND LIABILITIES

As at 31 December	2016	2015	2014	2013	2012
Total assets	7,662,892	7,552,785	6,753,080	6,176,936	5,017,423
Total liabilities	4,308,328	4,506,196	4,041,177	3,966,045	3,059,214
Net assets	3,354,564	3,046,589	2,711,903	2,210,891	1,958,209

5 Years Financial Summary

Amount stated in RMB'000



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Company has 11 directors and 7 supervisors as well as a group of senior management personnel. There is no any relationship (including financial, business, family or other material/relevant relationship(s)) between any of the directors of the Company (the “**Directors**”), the supervisors of the Company (the “**Supervisors**”) or the senior management.

DIRECTORS

The Company has 5 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors

EXECUTIVE DIRECTORS

Mr. Xuan Zongmin (禰宗民), aged 56, is the secretary of the party committee, an executive Director and Chairman of the Board of the Company. He also serves as a director and the chairman of Guangdong Vehicles Transportation Group Company Limited (“**GVTG**”, a subsidiary of the Company) and Guangdong Roadnet Innovalues Media Information Technology Co., Ltd. (廣東路網數媒信息科技有限公司) (a subsidiary of the Company). Mr. Xuan has served as a Director since June 2012 and was re-designated as an executive Director on December 2012. He was appointed as the general manager of the Company in November 2012 and re-designated as the chairman of the Board with effect from March 2014. Mr. Xuan also served as a non-executive Director of the Company from January 2001 to December 2004. Mr. Xuan served as a director and the general manager of GVTG from April 2004 to June 2014. Other major work experience of Mr. Xuan includes serving as the deputy chief of secretary section and chief of information section of the Department of Communications of Guangdong Province (廣東省交通廳), and served successively as the assistant to the general manager, the deputy general manager, a director and the general manager of Weisheng Transportation & Enterprises Company Limited (威盛運輸企業有限公司). Mr. Xuan obtained an MBA degree from the Murdoch University in Australia. He possesses professional qualification as a senior political worker.

Mr. Tang Yinghai (湯英海), aged 48, is the vice secretary of the party committee, an executive Director and the general manager of the Company. He also serves as a director and the general manager of GVTG and a director and the chairman of Guangdong Top-E. Mr. Tang has served as a non-executive Director since June 2012 and re-designated as an executive Director on December 2012. He was appointed as the deputy general manager of the Company in November 2012 and re-designated as the general manager with effect from March 2014. Mr. Tang served successively as the deputy manager and the manager of accounting department, a director and the chief accountant of The Motor Transport Company of Guangdong and Hong Kong Limited (“**GD-HK Company**”) from January 1998 to July 2005; he served as the chief accountant and the deputy general manager of GVTG from July 2005 to June 2014. Other major work experience of Mr. Tang includes working for the Highway Construction Office of the Guangdong Province (廣東省公路工程處), and the accountant and deputy supervisor of the Department of Communications of Guangdong Province (廣東省交通廳). Mr. Tang graduated with a master degree in law from Renmin University of China (中國人民大學) and EMBA from South China University of Technology (華南理工大學). He possesses professional qualification as a senior accountant.

Mr. Yao Hanxiong (姚漢雄), aged 51, is a member of the party committee, an executive Director and the deputy general manager of the Company. He also serves as a director of an associate, Southern United Assets and Equity Exchange Co., Ltd. (南方聯合產權交易中心有限責任公司). Mr. Yao has served as an executive Director since December 2012 and the deputy general manager of the Company since October 2007. Other major work experience of Mr. Yao includes serving as the deputy manager and the manager of the second branch office of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限責任公司第二分公司), and a director and the deputy general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司). From 2002 to 2005, Mr. Yao was designated by the Organization Department of the Guangdong Provincial Party Committee to serve temporarily as the deputy chief executive (presiding over science and technology) of Deqing County, Zhaoqing City. Mr. Yao obtained a bachelor degree in road and bridge engineering from Chongqing Jiaotong University (重慶交通學院), and holds an executive master degree in business administration (EMBA) from Jinan University (暨南大學). He has professional qualification of senior engineer for roads and bridges.

Mr. Fei Dachuan (費大川), aged 59, is an executive Director and the deputy general manager of the Company. He also serves as a director and the deputy general manager of GVTG. Mr. Fei has been serving as the deputy general manager of the Company since February 2013, an executive Director since April 2014, the deputy general manager of GVTG since May 2006, and a director of GVTG since June 2014. Mr. Fei served as the deputy general manager of GD-HK Company from December 2000 to January 2004 and as a director of GD-HK Company from December 2000 to April 2006. Mr. Fei served successively as the deputy manager and the manager of business department of Weisheng Transportation & Enterprises Company Limited (威盛運輸企業有限公司), Guangdong branch, the deputy general manager of Weisheng Transportation & Enterprises Company Limited, Qigang branch and the deputy general manager of Weisheng Transportation & Enterprises Company Limited. Mr. Fei possesses professional qualification as a senior economist. Mr. Fei also serves as a director of Guangzhou Xintianwei Transportation Development Company (廣州新天威交通發展有限公司).

Mr. Guo Junfa (郭俊發), aged 53, is an executive Director and a director and the chairman of the board of a subsidiary GD-HK Company and Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Guangzhou) (廣東粵利佳客運有限公司(廣州)), he also served as a director of a subsidiary Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Hong Kong) (廣東粵利佳客運有限公司(香港)), Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Guangzhou), Guangdong Gangtong Vehicles Transportation Company Limited, Gang Tong (HK) Motor Transport Company Limited and an associate Cross Border Express Co., Ltd. (跨境快線管理有限公司). Mr. Guo has served as an executive Director since December 2012. He also served as an executive Director from June 2007 to December 2007. Mr. Guo served as a director and the general manager of GD-HK Company from August 2005 to August 2012. Other major work experience of Mr. Guo includes serving as director of the Technology Education Division of the Department of Communications of Guangdong Province (廣東省交通廳科技教育處處長), director of the Foreign Economic Division of the Department of Communications of Guangdong Province and the director of the Loan Office of World Bank of the Department of Communications of Guangdong Province (廣東省交通廳世界銀行貸款辦公室主任). Mr. Guo holds an executive master degree in business administration (EMBA) from the South China University of Technology (華南理工大學). He was selected and sent overseas to the University of British Columbia of Canada by the relevant department of Guangdong Province in 2003 to study the MPA course for a year.

NON-EXECUTIVE DIRECTORS

Mr. Li Bin (李斌), aged 48, is a non-executive Director. He is currently the head of the strategic development department of GCGC. Mr. Li has served as a non-executive Director since December 2012. He served as a director of GVTG from December 2009 to June 2014. Mr. Li has served successively as the executive staff of the general affairs department and the investment management department, and as the deputy head of the strategic development department of GCGC from 2004 to 2014. Since 2005, Mr. Li was seconded three times to Guangdong Province SASAC to participate in the drafting of the Opinion on Deepening State-owned Enterprise Reform (深化國企改革的意見) document formulated by the Guangdong Provincial Party Committee and provincial government, and acted as the team leader of promotion of state-owned enterprise system reform expert team of Guangdong Province and provincial government for several times. Other major past positions of Mr. Li include serving as the deputy manager of the operation department and chief of the information center and the communist party working group of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司). Mr. Li served as a lecturer in computer science at the Guangdong Communications Polytechnic (廣東交通職業技術學院), and is currently a visiting professor of Guangdong Communications Polytechnic. Mr. Li graduated from South China Normal University (華南師範大學) with a bachelor degree in computer science. He also graduated from the Guangdong University of Technology (廣東工業大學) with a bachelor degree in highway and urban road. He studied the Business Administration Graduate Seminar Course offered by Jinan University, and obtained qualifications as a senior engineer and a senior economist.

Mr. Chen Min (陳敏), aged 53, is a non-executive Director. He currently serves as the head of the legal affairs department of GCGC. Mr. Chen served as the deputy general manager of the Company from September 2009 to June 2011. Other major positions previously held by Mr. Chen include: contract team leader of the General Contracting Group of Guang Shen Zhu Expressway (廣深珠高速公路總承包集團); manager of engineering department, deputy chief economist and chief economist of Guangdong Highway Engineering Construction Group Co., Ltd. (廣東省公路工程建設集團有限公司); director, deputy general manager, chief economist and general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司). During the period from 2011 to 2014, he served as the deputy head of the legal affairs department of GCGC. Mr. Chen graduated from Changsha Jiaotong College (長沙交通學院) majoring in highway and city road and obtained a bachelor's degree of engineering. Mr. Chen also holds a qualification certificate of legal adviser to enterprises and possesses qualifications as an economist as well as cost engineer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gui Shouping (桂壽平), aged 64, is an independent non-executive Director. Mr. Gui has engaged in the research of logistics technology and logistics load-unload machinery for a long time. Since 1997, he has been committed to teaching and scientific research at the South China University of Technology (華南理工大學). He is currently a professor at the Economics and Trade School of the South China University of Technology through re-employment after retirement. Mr. Gui served as the vice-president of the School of Traffic and Communications, the executive vice-chairman of Research Institute of Intelligent Transport System and Logistics Technology, the dean of the logistics engineering department of the School of Traffic and Communications, the vice president of the Electronic Trade Faculty and the vice president of the Economics and Trade Faculty of this university. His major concurrent positions include committee member of National Logistics and Information Standardisation Technology Committee, committee member of National Crane Mechanism Standardisation Technology Committee, executive board member of China Logistics Association and research fellow of the Logistics Planning Research Institute of China Federation of Logistics and Purchasing. Mr. Gui has obtained professional qualifications as a senior engineer and a research fellow. He graduated from Wuhan University of Water Transportation Engineering (武漢水運工程學院) in 1975 majoring in logistics construction. Currently, Mr. Gui also serves as an independent non-executive director of Guangzhou Modern Department Store Company Limited (廣州摩登百貨股份有限公司, a company listed on the National Equities Exchange and Quotations system of the People's Republic of China (the “**New Third Board**”), stock code: 430689) and an independent Director of Guangken Chenxi International Produce Logistic Investment Company Limited (廣墾辰禧國際農產品物流投資有限公司).

Mr. Peng Xiaolei (彭曉雷), aged 65, is an independent non-executive Director. Mr. Peng was the deputy general manager and the chief accountant of Guangdong Guangye Assets Management Co., Ltd. (廣東省廣業資產經營有限公司) (“**Guangye Assets**”) from 2002 to 2013. Mr. Peng was responsible for supervising the internal controls and reviewing the financial statements of Guangye Assets; he also compiled a number of financial regulatory handbooks for Guangye Assets. From 2001 to 2002, Mr. Peng was the deputy chief accountant of GCGC and was responsible for supervising the internal controls of GCGC and preparing its financial statements. Other major past positions of Mr. Peng include serving as a lecturer in finance and accounting and the deputy dean of the department of accountancy of Guangdong University of Business Studies, as well as the manager of the capital and finance department of the Guangdong Branch of China Unicom Limited. Mr. Peng obtained his master degree in economics from Zhong Nan Finance University and has obtained professional qualification of senior accountant. Currently, Mr. Peng also serves as an independent director of Guangdong Provincial Expressway Development Co. Ltd. (Shenzhen Stock Exchange listed company, stock code: A share: 000429, B share: 200429).

Mr. Jin Wenzhou (靳文舟), aged 56, is an independent non-executive Director. Mr. Jin is currently a professor and PhD Supervisor of transportation engineering at Civil and Transportation of South China University of Technology, and the team leader of the Transportation Planning and Management Academic Team at South China University of Technology. From 1985 to 1999, Mr. Jin taught at Jilin University of Technology, during which, from 1996 to 1997, Mr. Jin was a senior visiting scholar at the Transportation Research Center at the University of London. Mr. Jin then began teaching at South China University of Technology in 1999 and was appointed to his current post as professor in 2001. Mr. Jin was also the former head of transportation department at Jilin University of Technology and the vice president of School of Civil and Transportation Engineering, South China University of Technology. Mr. Jin also holds the following posts: member of Guangdong Province Smooth Traffic Project Group (廣東省暢通工程專家組), supervisor of the Transportation Association of Guangdong Province (廣東省交通運輸協會), member of experts committee of Guangdong Traffic and Transport Association (廣東省城市公共交通協會) and member of guidance committee for Road Transport and Engineering Education of the Ministry of Education (教育部道路運輸與工程教學指導委員會). Mr. Jin graduated from Jilin University with a master's degree of science in probability and statistics and further received a PhD degree in transport management engineering from Jilin University of Technology.

Ms. Lu Zhenghua (陸正華), aged 54, is an independent non-executive Director. Ms. Lu was an independent Supervisor from June 2012 to June 2016. Currently, she is an associate professor and postgraduate master tutor of the School of Business Administration of South China University of Technology. Ms. Lu acted as a teaching assistant and a lecturer of the Economics and Management Department of East China Jiaotong University. Ms. Lu holds a master degree in economics from the Finance Department of Jinan University majoring in money and banking, and has obtained a Doctor of Philosophy degree in Business Management from the Faculty of Administration and Management of the Macau University of Science and Technology. Ms. Lu is a member of The Chinese Institute of Certified Public Accountants. She has participated in formulating, and has provided advice and opinions on the financial operation systems and listing financing plans of various companies. Ms. Lu is currently an independent director of Guangdong Guangxin Information Industry Holding Co., Ltd. (廣東廣新信息產業股份有限公司, a company listed on the New Third Board, stock code: 831813), Guangdong Lilac Industrial Co., Ltd. (廣東紫丁香實業股份有限公司, a company listed on the New Third Board, stock code: 835362) and Guangzhou Super-Dragon Engineering Plastic Co., Ltd. (廣州市聚賽龍工程塑料股份有限公司, a company listed on the New Third Board, stock code: 839141). She is also a director of Guangdong Dazhi Environmental Protection Technology Co., Ltd (廣東達志環保科技股份有限公司). During the past three years, Ms. Lu Zhenghua previously served as an independent director of the following companies: Guangdong Gensho Logistics Co., Ltd (廣東原尚物流股份有限公司) and Guangzhou Comet Co., Ltd. (廣州科密股份有限公司).

SUPERVISORS

As at the date of this report, the Company has seven Supervisors, including two independent Supervisors (namely Mr. Dong Yihua and Mr. Lin Hai), three Supervisors representing the staff of the Company (namely, Mr. Zhen Jianhui, Ms. Li Xiongrong and Mr. Zhang Deyou) and two Supervisors appointed by the Shareholders (namely, Mr. Hu Xianhua and Mr. Wang Qingwei).

Mr. Hu Xianhua (胡賢華), aged 42, is a supervisor and the chairman of the supervisory committee of the Company and is currently the chairman of the dispatched chairman of the supervisory committee of GCGC. Mr. Hu worked for the Company as a clerk from March 2004 to December 2005. Other major work experience of Mr. Hu Xianhua includes: manager of the finance department of Guangshan Highway Huizhou Section Co. Ltd. (廣汕公路惠州段有限公司), project manager of Xin Yue Company Limited (新粵有限公司), grade one staff member (一級職員) of the financial audit department, grade one staff member (一級職員) of the audit and supervision department, deputy business supervisor and business supervisor of GCGC. Mr. Hu is a graduate of Wuhan University majoring in auditing, and obtained a bachelor's degree in economics and possesses the qualification as senior accountant. Currently, Mr. Hu also serves as a supervisor and the chairman of the supervisory committee of Guangdong HuaLu Transport Technology Company Limited.

Mr. Wang Qingwei (王慶偉), aged 43, is a supervisor of the Company and is currently a dispatched supervisor of GCGC. Other major work experience of Mr. Wang includes: deputy director of the financial audit department of the Second Branch of Guangdong Guanyue Highway & Bridge Company (廣東冠粵路橋公司二分公司) and head of the financial audit department of Guangdong Guanyue Highway & Bridge Company Limited (廣東冠粵路橋公司). Mr. Wang is a university graduate of the School of Adult Education of Peking University (北京大學成人教育學院) majoring in international economy and trade, and has obtained a master's degree in professional accounting from the School of Management in Jinan University (暨南大學管理學院), and possesses the qualification as senior accountant.

Mr. Dong Yihua (董毅華), aged 59, is a supervisor of the Company and currently serves as an associate professor of the Accounting Department at the Faculty of Management of Jinan University (暨南大學管理學院). He has taken part in the assessment work on the bidding evaluation of certain key projects or enterprise projects hosted by the Economy and Trade Committee of Guangdong province (廣東省經貿委), the Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), China CNTC International Tendering Corporation (中招國際招標有限公司), and Guangzhou Productivity Promotion Center (廣州生產力促進中心), respectively for consecutive years or several times in the capacity of a financial expert. Mr. Dong successively worked as a teaching assistant, a lecturer, a deputy director and a director of the teaching and research office and an associate professor at the Department of Finance and Accounting in Jiangxi University of Finance and Economics (江西財經學院). He has worked in Jinan University (暨南大學) since September 1994, and served as an associate professor of Modern Management Center of Jinan University (暨南大學現代管理中心). Mr. Dong studied at the Department of Finance and Accounting in Jiangxi University of Finance and Economics (江西財經學院) majoring in business finance and accounting, and obtained a bachelor's degree in economics and a master's degree in economics, respectively.

Mr. Lin Hai (林海), aged 42, is a supervisor of the Company and currently serves as the vice president of Guangdong Zhongrui Finance Lease Co., Ltd. (廣東中瑞融資租賃有限公司) and a director of Guangzhou Ruixiu Equity Investment Fund Management Co., Ltd. (廣州瑞秀股權投資基金管理有限公司). Mr. Lin previously worked at Zhanjiang Central Sub-branch of the People's Bank of China, responsible for the foreign currency operations and the foreign exchange inspection, and also served as the director of Zhanjiang Wanjieli Trade Co., Ltd. (湛江市萬吉利貿易有限公司), the chief of the strategic investment department of Foshan Huaxin Packaging Co., Ltd. (佛山華新包裝股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 200986), the vice general manager and the financial controller of Guangzhou Improve Medical Instrument Co., Ltd. (廣州陽普醫療科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300030), and the financial advisor to Baolai International Group Co., Ltd. (寶來國際集團有限公司). Mr. Lin graduated from the Shanghai Jiao Tong University (上海交通大學) majoring in international finance and of the South China University of Technology (華南理工大學) majoring in business administration, and obtained a bachelor's degree in economics and a master's degree in business administration, respectively.

Mr. Zhen Jianhui (甄健輝), aged 45, is a supervisor of the Company and a deputy manager at the Company's supervision and audit department. Mr. Zhen is also currently a supervisor and the chairman of the supervisory committee of several subsidiaries, associates and entrusted management companies of the Group. Mr. Zhen Jianhui joined GVTG in September 1997, and previously served as a deputy manager at GVTG's supervision and audit department, was primarily as a deputy manager at the finance department of Kee Kwan Motor Road Co., Ltd. (岐關車路有限公司) and in charge of the internal audit. Mr. Zhen graduated from Guangdong Xinhua College Institute of Education (廣東新華教育學院) with a college diploma in accounting and had obtained a professional title of accountant.

Ms. Li Xiangrong (李向榮), aged 45, is a supervisor of the Company and a deputy manager at the Company's supervision and audit department. Ms. Li joined the Company in August 2009, and once served as the deputy director and the director of the auditing and supervision department of the Company. Ms. Li is also currently a supervisor and the chairman of the supervisory committee of several subsidiaries, associate and entrusted management company of the Group. Ms. Li's other main work experiences include serving as the financial chief staff of the finance department, the manager of the auditing and supervisory department and a supervisor of Hunan Ginde Development Co., Ltd. (湖南金德發展股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000639). Ms. Li obtained her bachelor's degree in political laws from the Correspondence College of the Party School of the CPC Central Committee, and owns a number of qualifications or certificates such as senior accountant, certified tax agent, international certified internal auditor and international certification in risk management assurance.

Mr. Zhang Deyou (張德優), aged 40, is a supervisor and the deputy manager of the human resources department of the Company. Mr. Zhang joined the Company in 2003, served as assistant senior executive staff of the human resources department of the Company from 2003 to 2007, and has been serving as the deputy manager of the human resources department of the Company since 2007. Mr. Zhang obtained a bachelor's degree in professional human resources management and a bachelor's degree in economics from the Renmin University of China. He has the senior economist and senior human resources manager professional qualifications. Other key positions previously held by Mr. Zhang Deyou include the head of the human resources department of Xin Yue Company Limited* (新粵有限公司), a subsidiary of GCGC.

OTHER SENIOR MANAGEMENT

Mr. Rao Fengsheng (饒鋒生), aged 53, is the current vice secretary of the party committee of the Company. Mr. Rao served as a Supervisor representing the staff of the Company from June 2007 to May 2013, the manager of the human resources department of the Company from February 2003 to September 2006, the deputy secretary of the party committee and the secretary of the discipline inspection committee and the chairman of the labor union of the Company from September 2006 to January 2013. His other major working experiences include working in the bridge research centre, technology office, the party committee and office of Guangdong Provincial Transportation Science Research Institute (廣東省交通科研院所) as the deputy office director, and as the deputy manager of the administration department, the manager of the human resources department, the deputy director and a secretary of the branch of party of the Guangzhou office of Xin Yue Company Limited. Mr. Rao is a senior economist and qualified senior political commissar. He graduated from the Guangdong Social Science University with a college diploma in corporate management and from Beijing Institute of Technology (北京理工大學) with a bachelor degree. He obtained a bachelor degree in laws from Beijing Institute of Technology and a master degree in Executive Master of Business Administration (EMBA) from South China University of Technology.

Ms. Ke Lin (柯琳), aged 48, currently is a member of the Party Committee, secretary of CPC discipline inspection committee and chairman of labor union of the Company and GVTG. Ms. Ke joined GVTG as the chairman of labor union in 2008 and was a Supervisor representing the staff of the Company from May 2013 to April 2014. She has successively held various positions at Guangzhou University of Chinese Medicine (廣州中醫藥大學), including the staff member, senior staff member and section chief of human resources division, section chief of the discipline inspection committee and head of general office of the discipline inspection committee. Ms. Ke graduated from South China Normal University (華南師範大學) with a bachelor's degree, majoring in psychology.

Mr. Du Zhuocai (杜卓才), aged 55, is a member of the Party Committee and deputy general manager of the Company. Mr. Du successively acted as the vice manager of the Passenger Transportation Department, assistant general manager, director, deputy general manager and chairman of labor union at GD-HK Company from April 1999 to May 2015 until he joined the Company in May 2015. Amongst his other major working experiences, he successively served as a cadre at sub-section level of corporate administration division, deputy section chief and section officer of transportation administration division of the Department of Communications of Guangdong Province (廣東省交通廳). Mr. Du graduated from South China Institute of Technology (華南工學院) with a bachelor's degree, majoring in ship internal combustion engine.

Mr. Zheng Siyuan (鄭思遠), aged 46, is a member of the Party Committee and the deputy general manager of the Company. After joining GVTG in July 2004, Mr. Zhen successively acted as the manager of Development Department and assistant general manager of GVTG and the chairman and secretary of Party Committee of Heyuan City Yueyun Motor Transportation Co., Ltd. (河源市粵運汽車運輸有限公司), a subsidiary of the Company. Amongst his other major working experiences, he successively served as a director and vice manager of Vehicle Administration Department of Kwong Fat Transport Limited (廣發運輸有限公司) and a director and vice general manager of Kwong Fat Transport Limited. Mr. Zheng graduated from South China Agricultural University (華南農業大學) as a postgraduate with a master degree in industrial economy and has obtained the professional qualification of senior human resources management specialist. Mr. Zheng also served as a director of GD-HK Company, and as a director and chairman of the board of Yueyun Development.

Mr. Wen Wu (文件), aged 46, is a member of Party Committee and chief accountant of the Company. Mr. Wen has worked for the Company since April 2015. Amongst his other major working experiences, he successively served as the technician of Guangdong Food Industry Corporation (廣東省食品工業總公司), the accountant of finance and audit department and deputy department director of Guangdong Communication Enterprise Investment Company Limited (廣東交通實業投資公司) (concurrently served as chief accountant of Guangdong Yang-Mao Expressway Company Limited (廣東陽茂高速公司有限公司)) as well as the director of the finance management department, secretary of board of directors, employee director and vice chief accountant of Guangdong Communication Enterprise Investment Company Limited. Mr. Wen graduated from Jinan University (暨南大學) with a bachelor degree of science in food chemistry and a master degree of business administration respectively and possesses the professional qualification of senior accountant and economist.

Mr. Luo Jianping (羅建平), aged 59, is a member of Party Committee and assistant general manager of the Company. Mr. Luo works for the Company since May 2015. Amongst his other major working experiences, he successively served as the deputy section chief of the general affairs section of Guangdong Communication School (廣東交通學校), the manager of the Personnel Department of Guang-Shen-Zhu Expressway Main Contract Group (廣深珠高速公路總承包集團), the assistant general manager and the vice general manager of Guangdong Engineering Supervision Limited (廣東工程建設監理公司), the vice general manager and the deputy secretary of Party Committee of Guangdong Construction Material Corporation (廣東省建設物資總公司), the director, a member of Party Committee, the vice general manager and the general manager of Guangdong Xinguang International Logistics Company Limited (廣東新廣國際物流集團有限公司) (concurrently served as the general manager of Guangdong Guangda International Logistics Company Limited (廣東廣大國際物流有限公司) since May 2009). Mr. Luo graduated from Party School of Guangdong Provincial Committee (廣東省委黨校) as a postgraduate student in economics.

Mr. Liu Wanneng (劉萬能), aged 48, is a member of the party committee of the Company and deputy secretary of the party committee, director and general manager of Guangdong Top-E. Other major work experience of Mr. Liu includes serving as office director, vice chairman of the labour union and secretary of the party branch of Xuansuoqiao Branch and office director of the Xinhui-Taishan Highway turnkey project department of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限公司), deputy office director of Guangdong Guanghui Highway Company Limited (廣東廣惠高速公路有限公司) and director of Huizhou Office, leader of the road administration brigade and secretary of the party branch of Guangdong Guanghui Highway Company Limited, and head of the investment and development department and head of investment and operation department of Guangdong Gongbei Vehicles Transportation Company Limited (廣東省拱北汽車運輸有限責任公司). Mr. Liu graduated from Party School of the Central Committee of CPC Correspondence Institute majoring in politics and law. He has professional qualifications as senior logistician and political engineer.

Mr. Zhang Dongsheng (張東升), aged 55, is a member of the party committee of the Company and deputy secretary of the party committee of Guangdong Top-E. Other main working experiences of Mr. Zhang include serving successively as a technician and assistant in the People's Liberation Army Navy Guangzhou Base Logistics Department, vice division personnel, deputy clerk director, clerk director and division head in Southern Ind.& Trading General Corp., deputy manager in related industry department of Guangdong Xinyue Communications Investment Company Limited, deputy general manager, deputy secretary of the party general branch, the chairman of labor union, the deputy secretary of the party committee, the secretary of the discipline inspection committee and the chairman of labor union of Guangdong Top-E. Mr. Zhang obtained a bachelor degree of naval engineering from the Naval University of Engineering, PLA. Mr. Zhang possesses profession qualification as a senior economist.

Mr. Liu Zhiquan (劉志全), aged 51, is the secretary of the Board of the Company, the managing director of Yueyun Transportation (HK) Company Limited (粵運交通股份(香港)有限公司) (a wholly-owned subsidiary of the Company) and the chairman of Yueyun Traffic Technical Service (Guangzhou) Co., Limited (a wholly-owned subsidiary of the Company). Mr. Liu joined the Company as secretary of the Board in 1999, and had concurrently served as the office director and the manager of business department of the Company. He obtained a master's degree in industry and business administration in 1999 and graduated from the course of advanced study for secretaries of boards of directors provided by the training center of the Ministry of Commerce of the PRC in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses qualification as an economist. The major past positions of Mr. Liu include serving as a cadre in Guangdong Navigation Administration Bureau (廣東省航務管理局), a secretary of secretary section in the Department of Communications of Guangdong Province, the deputy manager of Guangdong Provincial Communication Development Co., Ltd. (廣東省交通開發公司), the managing director of Guangdong Yuefeng Real Estate Development Co., Ltd. (廣東粵峰房地產開發有限公司), and the deputy director at the General Manager's Office of Guangdong Highway Construction Co., Ltd. (廣東省公路建設公司).

CORPORATE GOVERNANCE REPORT

The Company believes that stringent corporate governance practices could enhance its credibility and transparency and are in the interests of the Shareholders. Accordingly, the Company has been making continuous efforts in enhancing its standard of corporate governance with reference to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the articles of association of the Company (the “**Articles of Association**”) and other applicable laws and regulations.

The Company had complied with all the provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules for the year ended 31 December 2016. The following provides a brief account of the corporate governance of the Company for the year ended 31 December 2016.

BOARD OF DIRECTORS

1. Composition of the Board of Directors

As at the date of this report, the board of the Company (the “**Board**”) comprises eleven Directors, including five executive Directors, two non-executive Directors and four independent non-executive Directors. The members are as follows:

Chairman: Mr. Xuan Zongmin

Executive Directors: Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong, Mr. Fei Dachuan and Mr. Guo Junfa

Non-executive Directors: Mr. Li Bin and Mr. Chen Min

Independent Non-executive Directors: Mr. Gui Shouping, Mr. Peng Xiaolei, Mr. Jin Wenzhou and Ms. Lu Zhenghua

The biographies of the current Directors are set out in the section headed “Directors, Supervisors and Senior Management” of this Annual Report.

The Board considers that the composition of the Board of the Company with five executive Directors, two non-executive Directors and four independent non-executive Directors is reasonably balanced. The two non-executive Directors and four independent non-executive Directors have participated actively in the formulation of the Company’s policies to represent the interests of Shareholders as a whole.

According to Rule 3.10A of the Listing Rules of Hong Kong, independent non-executive Directors should represent at least one third of the Board of listed companies, according to which the Company has appointed adequate number of independent non-executive Directors. The Board has received the annual confirmation of each of the independent non-executive Directors’ independent capacity for the year 2016 and have recognized the independency of each of the independent non-executive Directors.

The chairman and the general manager of the Company are two distinct and separate positions, which are held by Mr. Xuan Zongmin and Mr. Tang Yinghai respectively. Mr. Xuan Zongmin and Mr. Tang Yinghai are executive Directors.

All Directors were appointed for a term of office until the expiration of the current session of the Board and are eligible for re-election upon the expiry of their terms.

2. Record of attending board meetings and general meetings

Apart from the regular Board meetings, the Board met on other occasions when a board-level decision on a particular matter was required. For the year ended 31 December 2016, the Company held a total of 12 board meetings with an average attendance rate of 92%. The Directors received details of agenda items and minutes of the committee meetings in advance of each Board meeting. The Company kept detailed minutes for the business considered and approved on such meetings.

The Secretary to the Board of the Company is responsible for distributing detailed documents to the Directors prior to the board meeting to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. All Directors have access to the advice and services of the Secretary to the Board with a view to ensuring that the Board procedures and all applicable laws and regulations are followed.

For the year ended 31 December 2016, the Company held three general meetings, including the annual general meeting (the "AGM") and two extraordinary general meetings (the "EGM").

The table below sets forth the details of attending board meetings and general meetings by the Directors in the year of 2016:

	Board meetings Meetings attended/to be attended	AGM and EGM Meetings attended/to be attended
Executive Directors		
Mr. Xuan Zongmin (Chairman)	11/12	3/3
Mr. Tang Yinghai	12/12	2/3
Mr. Yao Hanxiong	11/12	0/3
Mr. Fei Dachuan	11/12	0/3
Mr. Guo Junfa	12/12	0/3
Non-executive Directors		
Mr. Liu Hong (Resigned as Director effective from 7 June 2016) (Note)	2/3	0/1
Mr. Li Bin (Note)	6/7	0/3
Mr. Chen Min (Appointed as Director on 7 June 2016) (Note)	4/4	0/2
Independent Non-executive Directors		
Mr. Gui Shouping	11/12	0/3
Mr. Peng Xiaolei (Note)	11/11	0/3
Mr. Jin Wenzhou	12/12	0/3
Mr. Liu Shaobo (Resigned as Director effective from 7 June 2016)	4/5	0/1
Ms. Lu Zhenghua (Appointed as Director on 7 June 2016)	7/7	0/2

Notes:

In 2016, Mr. Liu Hong served as the chief legal counsel of GCGC, Mr. Li Bin served as the head of strategic development department of GCGC, Mr. Chen Min served as the head of the legal affairs department of GCGC, and Mr. Peng Xiaolei was appointed as an independent director by Guangdong Provincial Expressway Development Co. Ltd., a connected person of the Company, in July 2016. Therefore, in 2016, as each of them during their term of office as director was deemed to have a material interest in the below connected transactions agreements and the transactions contemplated thereunder, they had abstained from voting at the Board meetings held to approve the related connected transactions agreements and respective transactions contemplated thereunder and were not counted for in the quorum for attending the meeting:

- (1) In the extraordinary board meeting held on 5 February 2016 for approving (among others) the resolutions in relation to the conversion by the Company regarding the perpetual subordinated convertible securities of the Company held by GCGC, confirmation of conversion price and actual number of convertible shares, Mr. Liu Hong and Mr. Li Bin had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 5 February 2016.
- (2) In the extraordinary board meeting held on 18 March 2016 for considering (among others) the resolutions in relation to the financial services agreement entered into between the Company and Guangdong Provincial Communication Group Finance Company Limited (a subsidiary of GCGC) and the proposed annual cap of continuous connected transaction during each year from 2016 to 2018 of the deposit services contemplated thereunder, Mr. Liu Hong and Mr. Li Bin had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 18 March 2016.
- (3) In the extraordinary board meeting held on 2 June 2016 for considering (among others) the resolutions in relation to amendments to the financial services agreement entered into between the Company and Guangdong Provincial Communication Group Finance Company Limited (a subsidiary of GCGC) Article 4 (I) and the annual cap of the deposit services contemplated thereunder, Mr. Liu Hong and Mr. Li Bin had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 2 June 2016.
- (4) In the extraordinary board meeting held on 13 September 2016 for approving (among others) the resolutions in relation to the 2016-2017 asphalt transportation services agreement entered into between Guangdong Yueyun Jia Fu Industrial Ltd. (a subsidiary of the Company) and Weisheng Dongguan International Logistic Co., Ltd. (a subsidiary of GCGC) and the annual cap thereunder, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 13 September 2016.
- (5) In the extraordinary board meeting held on 19 September 2016 for considering (among others) the resolutions in relation to renewal of the First Right of Operation Agreement, the Material Logistics Services Master Agreement and the Materials Purchase Master Agreement and the proposed annual cap during each year from 2017 to 2019 of the transactions contemplated under the above agreements, Mr. Li Bin, Mr. Chen Min and Mr. Peng Xiaolei had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 19 September 2016.

- (6) In the extraordinary board meeting held on 31 October 2016 for considering (among others):
- (a) The Lease Agreement entered into between Guangdong New Way Advertising Company Limited (a subsidiary of the Company, as lessee) and Guangzhou Yueyun Investment Management Company Limited (the “**Yueyun Investment Management**”, a subsidiary of GCGC, as lessor) and the transaction annual cap during each year from 2017 to 2019;
 - (b) The Supply Agreement entered into between the Company (as supplier) and Yueyun Investment Management (as purchaser) and the transaction annual cap during each year from 2017 to 2019;
 - (c) The renewal of the Taiping Interchange Master Agreement for a further term of three years and the transaction annual cap during each year from 2017 to 2019;
 - (d) The renewal of the Rescue Services Entrustment Master Agreement for a further term of three years and the transaction annual cap during each year from 2017 to 2019;
 - (e) The renewal of the Information Systems Services Master Agreement for a further term of three years and the transaction annual cap during each year from 2017 to 2019;
 - (f) The renewal of the Transportation Intelligence Services and Other Auxiliary Services Master Agreement for a further term of three years and the transaction annual cap during each year from 2017 to 2019;
 - (g) The agreement entered into between the Company (as lesser) and Yueyun Investment Management (as lessor) in respect of the lease of relevant premises in Yueyun Building and the transaction annual cap during each year from 2017 to 2019;
 - (h) The Property Management Entrustment Framework Agreement entered into between Guangdong Yuexing Property Management Company Limited (a subsidiary of the Company, as appointee) and Yueyun Investment Management (as appointor) and the transaction annual cap during each year from 2017 to 2019.

Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 31 October 2016.

3. Responsibility and Operation of the Board

Board members connectively and individually accept the responsibility for the management and control of the Company for the interests of the Shareholders.

The main duties of the Board (among others) are: determining the business strategy, operating plans and investment proposals of the Company, making out annual financial budget, bringing out profit distribution plan, overseeing the management, convening general meetings and executing the resolutions passed in general meetings. The interests of Shareholders' and the Company are the primary concern for every member of the Board. The Directors shall perform their duties in accordance with the relevant laws and regulations in a diligent manner.

Moreover, the Board is also responsible for reporting an accurate and objective assessment of the Company's performance and prospects. The Directors acknowledge their responsibilities for the preparation of the Group's financial statements, ensure that the financial statements are prepared in accordance with the requirements of laws and regulations and applicable accounting standards, give a true and fair view of the Company's financial position on a going concern basis, and ensure the timely publication of the Group's financial statements. The Directors are also responsible for the disclosure of inside information announcements.

The independent non-executive Directors appointed by the Company have professional backgrounds in transportation, logistics, accounting and finance with extensive and professional experience. The participation of the independent nonexecutive Directors in the Board brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interest, connected transactions, significant events and management system in order to ensure that the interests of all Shareholders of the Company have been duly considered.

The independent non-executive Directors also provide professional advice for the long-term stable development of the Company.

The Articles of Association explicitly provides the rights of the Directors, including the right to attend, receive notices of, and to vote in board meetings and the rules of procedure for the Board meetings were specifically formulated and implemented to regulate the conduct and procedures of the Board meetings.

The division of power between the Board and Senior Management strictly complies with the Company's Articles of Association and relevant regulations. The Senior Management is responsible for implementing the policies and strategies of the Board, and is delegated with the daily operations and administration of the Company.

4. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the Directors' and Supervisors' securities transactions for the year ended 31 December 2016. The Company had made specific enquiries of all Directors and Supervisors and each of the Directors and Supervisors have confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2016.

5. DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

In order to ensure that the Directors have the comprehensive information, knowledge and skills required to perform the duties of directors, the Company has provided each newly appointed director with training regarding their roles of being a director, among which it summarized the duties and legal responsibilities for directors of Hong Kong listed companies, the Articles of Association and the Guidance of Directors' Responsibilities issued by the Companies Registry in Hong Kong, to ensure that they have a comprehensive understanding of their duties and obligations under the Listing Rules and other regulatory requirements. Meanwhile, the Company has also distributed relevant information and/or provided training to Directors from time to time for communicating the relevant requirements in the aspects of laws and regulations and the Listing Rules to the Directors.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the year ended 31 December 2016:

Name of Directors	Reading materials	Participation in training
Mr. Xuan Zongmin	√	
Mr. Tang Yinghai	√	
Mr. Yao Hanxiong	√	
Mr. Fei Dachuan	√	
Mr. Guo Junfa	√	
Mr. Li Bin	√	
Mr. Chen Min	√	√
Mr. Gui Shouping	√	
Mr. Peng Xiaolei	√	
Mr. Jin Wenzhou	√	
Ms. Lu Zhenghua	√	√

6. COMMITTEES OF THE BOARD

The Company has established an audit and corporate governance committee (the “**Audit and Corporate Governance Committee**”), a remuneration committee (the “**Remuneration Committee**”) and a nomination committee (the “**Nomination Committee**”).

The Company’s Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee have laid down specific terms of reference, detailing the powers and responsibilities of these committees. All the committees report their decisions or submit their proposals to the Board within their authorities. Under certain circumstances, they have to request for the Board’s approval before taking any actions.

(1) *Audit and Corporate Governance Committee*

The Company has established the Audit and Corporate Governance Committee in compliance with the CG Code. The Company has been in compliance with the requirements relating to the audit committee as set out in Rule 3.21 of the Listing Rules for the year ended 31 December 2016.

The primary duties of the Audit and Corporate Governance Committee are (among others): to provide advice to the Board regarding the appointment, re-appointment and dismissal of the external auditors; to review and monitor the external auditors as to whether they are independent and objective and whether their auditing procedures are valid in accordance with applicable standards; to monitor the completeness of the financial statements, annual reports and accounts, half-yearly reports of the Company, and review the material advice in respect of financial reporting as set out in the financial statements and reports; to review the financial control of the Company and review the risk management and internal control systems of the Company; to review the internal audit function of the Company; to review the financial and accounting policies and

practices of the Company; to review and monitor the corporate governance of the Company. The detailed terms of reference of the Audit and Corporate Governance Committee are set out in the Working Rules for the Audit and Corporate Governance Committee of the Board published on the websites of the Stock Exchange and the Company on 30 March 2016.

As at 31 December 2016, the Audit and Corporate Governance Committee had a total of three members, including two independent non-executive Directors, namely Mr. Peng Xiaolei (chairman) and Ms. Lu Zhenghua, and one non-executive Director, namely Mr. Li Bin.

In the year of 2016, the members of the Audit and Corporate Governance Committee met regularly with the senior management of the Company and external auditors and reviewed the external audit reports and financial statements of the Group, and listened to the work reports from the management and financial management department, and provided advice and recommendations to the management. The Audit and Corporate Governance Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016 and recommended their adoption by the Board.

In the year of 2016, the members of the Audit and Corporate Governance Committee reviewed the effectiveness of the internal control and risk management systems (including measures on financial, operational, compliance control and risk management) and the internal audit functions of the Group by reviewing the work of the internal control and auditing departments of the Company and the external auditors and the report by the Company on risk management and internal auditing.

The Audit and Corporate Governance Committee held two meetings during the year ended 31 December 2016 with an attendance rate of 100%. The Audit and Corporate Governance Committee members' attendance records of the Audit and Corporate Governance Committee's meetings for the year ended 31 December 2016 are set out below:

	Meetings	
	attended/held	Attendance rate
Mr. Peng Xiaolei (Chairman)	2/2	100%
Mr. Liu Shaobo (Resigned on 7 June 2016)	1/1	100%
Mr. Li Bin	2/2	100%
Ms. Lu Zhenghua (Appointed on 7 June 2016)	1/1	100%

(2) Remuneration Committee

The primary duties of the Remuneration Committee are (among others): to advise the Board in respect of the remuneration policy and structure of all the Directors and senior management of the Company and of the establishment of a formal and transparent procedures for formulating the remuneration policy; to review and approve the remuneration recommendations by the management according to the corporate policies and objectives set by the Board; to recommend to the Board the remuneration packages of Directors and senior management of the Company; to assess the performance of the executive Directors; to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans. The detailed terms of reference of the Remuneration Committee are set out in the Working Rules for the Remuneration Committee of the Board published on the websites of the Stock Exchange and the Company on 26 March 2012.

As at 31 December 2016, the Remuneration Committee comprised two independent non-executive Directors, Mr. Gui Shouping and Ms. Lu Zhenghua, and one non-executive Director, Mr. Li Bin. Mr. Gui Shouping is the chairman of the Remuneration Committee. The Remuneration Committee held three meetings during the year ended 31 December 2016 with an attendance rate of 100%. The Remuneration Committee proposed recommendations on the Company's remuneration policy for 2016 and the remuneration of Directors and senior management.

The Remuneration Committee members' attendance records of the Remuneration Committee's meetings for the year ended 31 December 2016 are set out below:

	Meetings	
	attended/held	Attendance rate
Mr. Gui Shouping (Chairman)	3/3	100%
Mr. Liu Shaobo (Resigned on 7 June 2016)	3/3	100%
Mr. Li Bin	3/3	100%
Ms. Lu Zhenghua (Appointed on 7 June 2016)	N/A	N/A

(3) *Nomination Committee*

The primary duties of the Nomination Committee are (among others): to review the structure and composition of the Board and making recommendations on the appointment of Directors and shall be accountable to the Board. The detailed terms of reference of the Nomination Committee are set out in the Working Rules for the Nomination Committee of the Board published on the websites of the Stock Exchange and the Company on 22 August 2013.

As at 31 December 2016, the Nomination Committee had one executive Director, Mr. Xuan Zongmin, and two independent non-executive Directors, Mr. Gui Shouping and Ms. Lu Zhenghua. Mr. Xuan Zongmin is the chairman of the Nomination Committee.

For the year ended 31 December 2016, the Board has adopted a board diversity policy. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee members consider the board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills, knowledge and length of service. The ultimate advice on appointment will be made by the Nomination Committee to the Board based on merits of candidates and contribution that the selected candidates will bring to the Board and appointments will be made after submission to the general meetings by the Board for approval.

For the year ended 31 December 2016, the Nomination Committee held two meetings with an attendance rate of 100%. In 2016, the re-election of the Board was held. As Mr. Liu Hong and Mr. Liu Shaobo did not offer themselves for re-election, the Nomination Committee recommended the Board to nominate Mr. Chen Min and Ms. Lu Zhenghua to stand for election as a non-executive Director and an independent non-executive Director, respectively, by the Shareholders at the 2015 annual general meeting. The nomination has been made in accordance with (including but not limited to) the structure of the Board, the requirements of the Board set out in the Articles of Association, the education background, professional background, working experience, gender and age of the proposed Director, with due regard for the diversity policy of the Board. Given Mr. Chen Min's working background in legal matters and Ms. Lu Zhenghua's vast experience in the financial management and planning of listing and financing, their appointments would help broaden the diversity in profession and gender and enhance the Board's performance.

The current Board consists of a diverse mix of Board members with appropriate skills and experience to lead and oversee the business of the Company.

Diversity Mix as at December 31, 2016

Designation	Number of Directors
executive Directors	5
non-executive Directors	2
independent non-executive Directors	4

Age	Number of Directors
45-50 years old	2
51-55 years old	4
56-60 years old	3
61-65 years old	2

Gender	Number of Directors
Male	10
Female	1

Directorship with the Company (Number of years)	Number of Directors
<3 years	4
3-6 years	5
>6 years	2

The Nomination Committee members' attendance records of the Nomination Committee's meetings for the year ended 31 December 2016 are set out below:

	Meeting attended/held	Attendance rate
Xuan Zongmin (Chairman)	2/2	100%
Mr. Gui Shouping	2/2	100%
Mr. Liu Shaobo (Resigned on 7 June 2016)	2/2	100%
Ms. Lu Zhenghua (Appointed on 7 June 2016)	N/A	N/A

SUPERVISORY COMMITTEE

As at 31 December 2016, the supervisory committee of the Company (the “**Supervisory Committee**”) comprises seven members, including two independent Supervisors (namely Mr. Dong Yihua and Mr. Lin Hai), two Supervisors appointed by Shareholders (namely Mr. Hu Xianhua and Mr. Wang Qingwei) and three Supervisors representing the staff of the Company (namely Mr. Zhen Jianhui, Ms. Du Wanyan (resigned in January 2017, and Mr. Zhang Deyou was appointed on 17 April 2017) and Ms. Li Xiangrong). The Supervisory Committee is responsible for supervising the Board, the Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its employees.

For the year ended 31 December 2016, the Supervisory Committee reviewed and examined the financial position and the legal compliance of the operations of the Company and performed its duties under the principles of due care through conducting special inspections and convening the Supervisory Committee's meetings and attending the Board meetings of the Company.

During the year ended 31 December 2016, the Supervisory Committee held two meetings with an average attendance rate of 93%.

COMPANY SECRETARY

As at 31 December 2016 and the date of this report, Ms. Zhang Li served as the company secretary of the Company and was responsible for, amongst other things, ensuring that the Group complied with all obligations imposed by the Listing Rules and the Code on Takeovers and Mergers and Share Buy-backs.

Ms. Zhang currently also serves as the manager of the Securities and Legal Department of the Company. Ms. Zhang is also a director of Guangdong South China Logistics Enterprise Co., Ltd. (廣東南粵物流實業有限公司). Ms. Zhang joined the Company in March 2001 and has worked as the deputy manager of the securities department. Prior to joining the Company, she worked in the securities department of Guangzhou Economic and Technological Development Zone International Trust and Investment Company (廣州經濟技術開發區國際信託投資公司). Ms. Zhang obtained a bachelor of economics degree from Huazhong University of Science and Technology (華中理工大學) in 1993 and obtained a master of economics degree from Jinan University (暨南大學) in 2002. She has obtained professional qualification as a senior economist.

During the year, Ms. Zhang had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

RISK MANAGEMENT AND INTERNAL CONTROL

1. Management System and Structure

The internal control system of the Company includes an optimized organizational structure and a comprehensive set of rules and standards so as to ensure effective balance.

In order to establish an effective risk control and management mechanism and further improve its risk control and management capability and standard, the Company continues to enhance its system construction by formulating a series of rules and regulations relating to risk prevention and management, including Risk Management and Internal Control Management Measures, Legal Dispute Management Measures, Legal Affairs Management Measures, Guidelines for Legal Review Work, Internal Audit Management Measures, Implementation Measures for Economic Liability Audit, Implementation Measures for Basic Construction Project Audit, Procurement Management Measures and Bidding and Tendering Management Measures. When performing their work duties, the management, each business department and the staff need to strictly comply with relevant corporate rules and workflows and shoulder responsibility for their conduct and performance.

The Company has established its risk management system according to the requirements of Risk Management and Internal Control Management Measures and other corporate rules. The Board is the highest decision-making body for the Company's risk management work and is responsible for the development of the internal control system and the effective implementation of internal control rules. The Board is responsible for reviewing the internal control and supervising the orderly implementation of the internal control through the Audit and Corporate Governance Committee. The management of the Company is responsible for the daily conduct of the internal control. The Supervisory Committee is responsible for supervising the establishment and implementation of the internal control by the Board and the daily conduct of the internal control by the management. The Company has established the Risk Control Office, which is responsible for taking the lead in advancing specific risk control works. The supervision and audit department is the Company's internal control and assessment department and is responsible for the deployment of monitoring, evaluation and services functions in respect of the effectiveness and efficiency of the Company and its units, such as subsidiaries, staff and their operational and administrative behaviors in the process of internal control, corporate governance and risk management.

In 2016, the Board reviewed the effectiveness of the internal control and risk management systems, which were adequate and effective and rules through the Audit and Corporate Governance Committee. The supervision and audit department reported on its internal control and internal audit work at two meetings of the Audit and Corporate Governance Committee held in 2016.

Having considered the resources, qualifications of the staff and staff training of the Company's accounting and financial reporting functions as well as internal control functions, the Directors considered that the Company had well-established internal control systems in place to monitor and control the Company's business and prevent potential risks, which were adequately and effective.

2. Financial Control

According to actual operating environment and business conditions, the Company focused its efforts on the development of overall risk management system in respect of its financial control and carried out strict and effective control and management in combination of external accounting firms and internal financial risk control.

As a company listed on the Stock Exchange, since its listing in 2005, the Company has engaged professional accounting firms including PricewaterhouseCoopers Zhong Tian LLP, Guangdong Zhengzhong Zhujiang Certified Public Accountants, Deloitte Touche Tohmatsu CPA LLP and KPMG Huazhen LLP, respectively through public tender to audit its financial statements over the years to ensure the external disclosed information are in compliance with the requirements of related legal and accounting standards. The external accounting firms engaged by the Company possess the quality of the highest professional requirements and objectivity in the industry, in order to ensure the truth and effectiveness of the financial reports disclosed to the Shareholders and market investors.

The accounting firm engaged by the Company has audited financial information, reviewed financial data and checked risk matters during the course of audit, and proposed effective management recommendations to the Company for improving business operation, strengthening risk control and refining project auditing. The Company, based on its strategies and plans, annually makes adjustments to the implementation of its operational strategies according to the operating recommendations from the accounting firm in order to enhance its risk control. The accounting firm have issued standard unqualified audit reports over the years.

The Company attaches great importance to its internal control. After years of financial practices, the Company has formulated a series of financial rules and systems in respect of various aspects of its financial management such as approval authority, maximum payment and payment procedures, and has gradually developed a financial system mechanism. The Company fully implements the financial control requirements through various aspects such as risk identification, risk measurement and risk control. Once any financial system is formulated, subsidiaries are required to implement and amend relevant systems according to its own operation features.

The Company implements comprehensive budget management. Different departments of subsidiaries shall specify the budget target management, refine the finalization of budget matters and strictly control the implementation of budget according to their own operation features. Through comprehensive budget management, the Company breaks down the financial risks control and would arrange to make adjustments to its operation plan in due time by comparing its operating results with the budget targets in order to improve the operational efficiency of its funds and reduce its operation and management risks.

The Company carries out various processes towards investment projects, such as feasibility studies, tender and settlement upon completion to strictly control the lawfulness and reasonableness of fund usage. It also established a specific ledger in order to control the budget of fund management and its usage. Subsidiaries of the Company shall also comply with the system requirements of the Company in respect of new investment projects which will be actually implemented subject to the approval.

The Company is subject to internal audit annually by the Supervisory Committee, which reviews the implementation of its operational goals to troubleshoot and uncover operational risks. The Company also made specific rectifications according to the audit results to improve its operation management and to safeguard its continuous and healthy development. In each year, the Company also designated its appointed members of the supervisory committee to audit subsidiaries, and ensured that the risk was controllable and the strategies were implemented by sorting out business processes and rectifying operation standardization.

3. Legal Affairs Management and Compliance Control

In the ordinary course of the Company's operations and external expansion, the Company will strictly abide by relevant laws and regulations to have legal affairs management go through all processes of the Company from decision, execution to supervision and cover or even permeate all procedures and all aspects of the Company's operation and management for the purpose of increasing the routinization, normalization, standardization and systemization of its operation management and its prevention and control on legal risks to a higher level. In addition to engagement of its standing legal advisors as to the PRC laws and Hong Kong laws, the Company also has in place a legal affairs department and designated legal personnel to provide compliance opinions on its significant operation decisions and the entering into of contracts. In 2016, the legal review rate of business contracts, management rules and major events was 100%. With regards to significant investment and operation decisions, the Group will engage specialized legal advisor to perform due diligence with the aim of giving legal opinions so as to ensure compliance with laws and regulations of the Company's operation and management, safety of its assets, truth and completeness of its financial reports and the relevant information. Furthermore, the Group will invite external legal advisors or the Company's dedicated legal personnel to hold trainings or seminars on legal affairs on an irregular basis according to the specific condition of its business development, so as to continuously enhance the Group's awareness of legal risk prevention and compliant operation.

The Company has developed the measures for the management of confidentiality of inside information and registration and enhances its inside information management based on these measures. The Company has formulated internal guidelines on information disclosure and has established the information disclosure management mechanism in order to ensure that the Company can report and disclose significant matters and insider information in a timely manner. The Company has formulated internal guidelines on connected transactions and enhances the approval and disclosure of connected transactions and compiles regular statistics of connected transactions in order to ensure that the proceeding and procedures of connected transactions as well as information disclosure are in compliance with the requirements under the Listing Rules.

4. Risk Management

The Company has formulated and implemented Provisional Measures for Risk Management to identify and manage potential risks. In each year, the risk management department conducts regular risk inspections, proposes rectification opinions on the problems detected in the inspection, implements rectification measures, follows up rectification effectiveness and submits reports to the management.

The Group has made appropriate insurance arrangements for relevant businesses and assets and maintains responsibility insurance for directors, supervisors and senior management pursuant to the Listing Rules, so as to safeguard the potential personal legal responsibilities of the Group's directors, supervisors and senior management.

5. Internal Audit

The Company continued to reinforce its internal audit strengths in 2016. At the end of 2016, the Group had 11 internal dedicated audit bodies which comprised of 29 dedicated auditors. These audit bodies practically performed the functions of internal audit supervision, service and assessment by conducting a total of 184 audit projects in 2016, thereby providing strong support for the Group to improve and standardize its management.

Firstly, the Group exactly identified key points of supervision. In 2016, the Company's internal audit highlighted strategic management and control in regular audit works, expand the coverage of audit and strengthened the supervision and inspection of the implementation of important strategic measures, including the reclamation and self-operation of contracted vehicles, and the operation and management status of small, remote, scattered and associated companies according to the annual audit plan and requirements of the management. The Company has defined different key points of audit for the Company and its subsidiaries by guiding affiliated units on formulating work plans for internal audit. Exact identification of key points of supervision enables the Group to further improve the width and depth of the Group's internal audit work.

Secondly, the Group enhanced its service effectiveness. In the 2016 internal audit, the Group conducted a thorough diagnosis of the systems of the newly merged companies, namely Qingyuan Yueyun, Shaoguan Yueyun and Shanwei Yueyun, issued diagnosis opinions and guided these companies on forming system compilation. The Group compiled, printed and distributed the System Construction Guidebook of Affiliated Units, which provided instruction and guidance for the system compilation work of subsidiaries. The Group organized the workflow teasing work to tease the steps and requirements of various workflows in the operation and management process and filed them for printing and distribution. The implementation of the afore-said works effectively enhanced the standardization, normalization and transparency of the Group's internal management.

Thirdly, the Group practically conducted audit assessment. In the 2016 internal audit, the Group conducted 31 departing economic liability audits of leaders of subsidiaries to ensure that the coverage rate of departing economic liability audits of main leaders reached 100%; conducted internal control assessment of 5 subsidiaries, covering 17 key management processes of various units; conducted process tracking and audit assessment of 3 class-I projects under construction; conducted audit assessment of the set-up and implementation of the Group's contract management processes and the application of contract management systems; and conducted service quality assessment of external auditors. Practical conduction of audit assessment in various forms played an important role in protecting the Group's economic interests and improving management efficiency and effectiveness.

Besides carrying out supervision, service and assessment works properly, the Company's internal audit paid attention to the proper rectification of audit problems and liability investigation of audit problems. The Company established the audit problem ledger and the ledger rolling tracking mechanism and linked audit problem rectification to operation results appraisal. The Company established 2 accountability systems to investigate all liabilities, thus providing guarantee for promoting audit problem rectification and ascertaining audit problem liability.

SERVICE FEES OF THE EXTERNAL AUDITOR

The Company has appointed KPMG Huazhen LLP as the independent auditor of the Company. The fees for the audit and non-audit services provided by the above auditor to the Group for the year ended 31 December 2016 amounted to RMB7,410,000 (tax included), of which RMB6,280,000 was audit service fees, and RMB1,130,000 was non-audit service fees (including interim review fees and service fees relating to debt issuance). Meanwhile, the fees for the consultancy services provided by KPMG Advisory (China) Limited to the Company for the year ended 31 December 2016 amounted to RMB1,318,000.

The statement of the Company's external auditor concerning its responsibilities in the financial statements of the Company is set out in the Auditors' Report of this annual report.

GENERAL MEETINGS

1. Shareholders' Rights

The general meeting is the highest authority of the Company. The general meetings of the Company have complied with the relevant legal formalities to ensure participation of Shareholders and the exercise of their powers. The Company highly values the functions of the general meetings, and therefore encourages all Shareholders to attend the general meetings, which serve as a direct and effective communication channel between the Board and the investors of the Company. The Articles of Association expressly provides for the rights of the Shareholders, including the right to attend, to receive notices to, and to vote in general meetings.

Shareholders who request to convene an extraordinary general meeting or class general meeting shall comply with the following procedures:

- (1) Two or more Shareholders who have 10% or above voting shares in aggregate at the proposed general meeting may sign a written request or sign on several duplicates with the same format and contents to request the Board of Directors to convene an extraordinary general meeting or class general meeting and provide explanation on the topics to be addressed at the meeting. Upon receipt of the aforesaid written request, the Board of Directors shall convene an extraordinary general meeting or class general meeting as soon as possible. The aforesaid number of shares required shall be calculated on the date when the written request was made by the Shareholders.
- (2) If the Board of Directors has not issued any notice of general meeting within 30 days after receipt of the aforesaid written request, the Shareholders who submit the request may convene a general meeting by themselves within four months after receipt of the request by the Board of Directors. The procedures of convening the general meeting shall be similar to the procedure of convening a Shareholders' general meeting by the Board of Directors.

For Shareholders who convene a general meeting by themselves due to the failure of the Board of Directors to hold a general meeting in response to the aforesaid request, all reasonable expenses incurred as a consequence shall be borne by the Company and shall be deducted from the amount payable to the Director in default by the Company.

At the Shareholders' general meeting convened by the Company, Shareholders who have 5% or above of the total number of shares of the Company with voting rights are entitled to propose new motions in writing to the Company, and the Company should include proposed items within the terms of reference of a general meeting in the agenda of such meeting. However, such proposal is required to be duly served on the Company within 30 days commencing from the issue date of the aforesaid notice of general meeting. Shareholders who submit the proposal shall comply with the following conditions: the content of the proposal must not violate any provisions of laws and regulations and must be within the scope of the operations of the Company and the terms of reference of the general meeting; the proposal must contain explicit topics and specific resolutions; and the proposal must be submitted to or duly served on the Board of Directors in writing. Shareholders may submit the above proposal by way of telephone at 8620-37637013, by fax at 8620-32318269 or email at zqb@gdyueyun.com.

Voting shall be made by way of poll at general meetings and the Company's Hong Kong Share Registrar shall act as the scrutinizer. Voting results shall be published on the websites of the Company and the Stock Exchange.

The Company attaches great importance to communication with shareholders. Shareholders may submit questions and opinions to the Board of Directors through the Company Secretary of the Company by telephone at 8620-37637013, fax at 8620-32318269 or email at zqb@gdyueyun.com.

2. Annual General Meeting and Extraordinary General Meeting

On 7 June 2016, the Company held the 2015 Annual General Meeting to consider and approve eight ordinary resolutions including but not limited to the Directors' Report, the Supervisors' Report, the Auditor's Report and audited financial statements for the year ended 31 December 2015, the payment of a final dividend of 2015, re-election of the Board, re-election of the supervisory committee, engagement of accountants and authorizing the Board to determine the remuneration of the directors and supervisors, and two special resolutions including but not limited to the grant of general mandate to the Board of the Company to issue, allot and deal with additional domestic shares not exceeding 20% of the domestic shares of the Company in issue and additional H shares of the Company not exceeding 20% of the H-shares of the Company in issue, to consider and approve the amendments to the Articles of Association.

On 5 August 2016, the Company held an extraordinary general meeting to consider and approve ordinary resolutions including but not limited to the financial services agreement dated 18 March 2016 and the supplemental agreement dated 2 June 2016 ((collectively, the "**Financial Services Agreement**") entered into between the Company and 廣東省交通集團財務有限公司(Guangdong Provincial Communication Group Finance Company Limited*) ("**GCG Finance**") in relation to the provision of a range of financial services by GCG Finance to the Group and the proposed maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) in the amount not exceeding RMB1 billion for each of the three years ending 31 December 2018. GCGC has a material interest in the Financial Services Agreement and the Deposit Services contemplated thereunder. Therefore, GCGC and its close associate had abstained from voting at this EGM on the resolution to approve the Financial Services Agreement and the Proposed Annual Cap.

On 8 December 2016, the Company held an extraordinary general meeting to consider and approve, including but not limited to (1) the proposed annual caps in respect of the Individual Agreements entered into by the Group with GCGC Group pursuant to the First Right of Operation Agreement dated 15 September 2005 between the Company and GCGC for each of the three years ending 31 December 2017, 2018 and 2019; (2) the renewal of the Material Logistics Services Master Agreement dated 27 September 2005 between the Company and GCGC and the proposed annual caps for each of the three years ending 31 December 2017, 2018 and 2019; (3) the renewal of the Materials Purchase Master Agreement dated 27 September 2005 between the Company and GCGC and the proposed annual caps for each of the three years ending 31 December 2017, 2018 and 2019. GCGC, being the connected person of the Company and having material interest (which are different from those of the Independent Shareholders) in the Agreements, had abstained from voting on each of the resolutions proposed at the EGM pursuant to the Listing Rules.

All resolutions proposed to the shareholders had been passed at the 2015 annual general meeting and two extraordinary general meetings. The voting results had been published on the websites of the Company and the Stock Exchange.

3. 2016 Annual General Meeting

The Company's 2016 annual general meeting ("2016 AGM") will be convened on 13 June 2017. Notice of the 2016 AGM will be dispatched together with the 2016 annual report. Notice of the 2016 AGM, the proxy form and reply slip will be published on the websites of the Company and the Stock Exchange. The voting results of the proposed resolutions will be announced on the websites of the Company and the Stock Exchange immediately after the 2016 AGM is held. All Shareholders are encouraged to attend the 2016 AGM and exercise their rights to vote.

The register of members of the Company will be closed in order to determine the qualification of Shareholders to attend and vote at the 2016 AGM. The details are as follows (all dates and time are Hong Kong time):

To determine the qualification of Shareholders to attend and vote at the 2016 AGM:

Deadline for lodging transfer documents for registration	4:30 p.m. on Friday, 12 May 2017
Closure of register of members	Mon, 15 May 2017 to Tuesday, 13 June 2017 (both days inclusive)
Record Date	Tuesday, 13 June 2017

The register of members of the Company will be closed during the above periods. In order to determine the qualification of H-Share holders to attend and vote at the 2016 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the above mentioned deadlines.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Details of amendments to the Articles of Association during the year ended 31 December 2016 are as follows:

The annual general meeting held by Shareholders on 7 June 2016 considered and approved the amendments to Articles 16, 19, 150, 151, 153 and 154 of the Articles of Association. The purpose of the amendments to the Articles of Association is to: (1) reflect the changes in its share capital structure and registered capital after the conversion of perpetual subordinated convertible securities held by GCGC into new Shares; and (2) comply with the existing Company Law of the PRC by deleting contents regarding "to provide for statutory public welfare fund" in the Articles of Association. The aforesaid amendments to relevant clauses of the Articles of Association have been approved by Ministry of Commerce of Guangdong Province and registered for changes with Administration of Industry and Commerce of Guangdong Province, with formal effect from 5 August 2016.

The Articles of Association are written in Chinese. There is no official English version. The English version should only be used for reference. Should there be any discrepancies, the Chinese version shall prevail.

The legal advisers to the Company as to Hong Kong laws and laws of the PRC have respectively confirmed that the proposed amendments to the Articles of Association are in compliance with the requirements of the Listing Rules and do not violate the applicable laws of the PRC. The Company has confirmed that there is nothing unusual about the amendments to the Articles of Association for a company listed in Hong Kong.

Please refer to the circular dated 20 April 2016 and the announcement dated 7 June 2016 of the Company for details.

INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any disclosable and significant event, the Company will make accurate and complete information disclosure through the publication of announcements, notices, circulars, interim and annual reports in a timely manner on the websites of the Stock Exchange and the Company, pursuant to the disclosure requirements under the Listing Rules. This is to ensure the right to information of the Shareholders and to provide a true and fair view of the Company to the public.

The Company has established a specialized team responsible for investor relations. Placing strong emphasis on communication with investors, the Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence in the Company as well as improving its corporate governance standards. The management of the Company maintains close communications with investors through different channels, such as news conferences and one-on-one meetings, so that investors may have a better understanding of the Company's management philosophy, operating environment and development strategies.

The Company maintains its website at <http://www.gdyueyun.com>, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

The Board presents the report of the Directors for the year ended 31 December 2016 together with the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group was principally engaged in the provision of travel services, modern logistics and resources development businesses. The Company is an investment holding company and details of the principal activities of its principal subsidiaries are set out in the Note IV to the financial statements.

BUSINESS REVIEW

A fair review of the Group's business, which includes a performance analysis of the Group during the year, a description of the principal risks and uncertainties facing the Group, important events affecting the Group that have occurred since the end of 2016 financial year, and indication of likely future development in the Group's business, is set out in sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Investment Value of the Company" of this annual report.

RESULTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2016 are set out in the consolidated income statement. The financial highlights of the Group for the year ended 31 December 2016 are set out on pages 4 to 5 in this annual report, and the results and financial position for the year ended 31 December 2016 prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant regulations (the "ASBE") are set out on pages 132 to 147 in the audited financial statements of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2016 as well as the last five financial years are set out on page 65 in this annual report.

DIVIDEND

1. PROPOSED PAYMENT OF FINAL DIVIDEND

On 13 March 2017, the Board recommended the distribution of the final dividend of 2016 in cash of RMB0.13 before tax per share. The proposed distribution is subject to approval by the Shareholders at the 2016 AGM. If the approval of dividend payment is obtained from the Shareholders, the Company expects that the final dividend will be paid on or before Tuesday, 12 September 2017.

The proposed final dividend payment will be distributed based on the total issued share capital of the Company of 799,847,800 shares. Dividends will be denominated and declared in RMB and dividends for holders of domestic shares will be distributed and paid in RMB, while dividends for holders of H Shares will be declared in RMB but paid in Hong Kong dollars. The conversion of RMB into HK\$ shall be calculated based on the average price of the medium 2016 prices for conversion of RMB into HK\$ announced by the People's Bank of China five working days preceding the 2016 AGM.

2. TAXATION

According to the Law on Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China adopted in 2008, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the 2016 final dividend to non-resident enterprise shareholders of overseas H Shares (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, or other entities and organisations) whose names appear on the Company's H Share register of members at 4:30 p.m. on the Record Date, Monday, 26 June 2017.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (CaiShuiZi [1994] No. 020) 《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號), individual shareholders of overseas H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Monday, 26 June 2017 and whose registered addresses are located in the Hong Kong or outside China are exempted from individual income tax of China when distribution of 2016 final dividend of the Company is made.

Pursuant to the Individual Income Tax Law of the People's Republic of China and its implementation rules and regulations, the Company shall be obliged to withhold 20% individual income tax of China when it distributes the 2016 final dividend to individual shareholders of H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Monday, 26 June 2017 and whose registered addresses are located in China.

Above relevant taxation laws and regulations shall be interpreted by the relevant local taxation authority and shall be amended from time to time. Shareholders are suggested to seek advice from their taxation consultants in relation to taxation impacts in the PRC and Hong Kong and other matters arising from the ownership and disposal of the H Shares.

3. CLOSURE OF REGISTER OF MEMBERS

To determine the Shareholders' entitlement to the proposed final dividend payment (all dates and time are Hong Kong time):

Deadline for lodging transfer documents for registration	4:30 p.m. on Friday, 16 June 2017
Closure of register of members	Monday, 19 June 2017 to Monday, 26 June 2017 (both days inclusive)
Record date	Monday, 26 June 2017

The register of members of the Company will be closed during the above periods. In order to be qualified for the payment of proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged by holders of H shares with the Company's Hong Kong H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the above mentioned deadlines.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, the Group's total purchases attributable to the Group's five largest suppliers were 30%, and the Group's aggregate sales attributable to the Group's five largest customers were 27%.

GCGC holds over 50% of the interest in one of the top five suppliers. The purchases attributable to the largest supplier of the Group represented 13% of total purchases of the Group for the year ended 31 December 2016.

GCGC holds over 50% of the interest in one of the top five customers. The sales attributable to the largest customer of the Group represented 8% of total sales of the Group for the year ended 31 December 2016.

Save as disclosed above, in 2016, none of the Directors, the Supervisors or their respective associates or any Shareholders of the Company who, to the best knowledge of the Directors, held more than 5% of the issued share capital of the Company, had any interest in the five largest suppliers or the five largest customers of the Group for the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 and details of the distributable reserves of the Company as at 31 December 2016 are set out in the Note V.41 to the financial statements prepared in accordance with the ASBE.

STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in the Note V.42 to the financial statements prepared in accordance with the ASBE.

INVESTMENT PROPERTIES AND FIXED ASSETS

Particulars of the movements in investment properties and fixed assets of the Group and the Company during the year ended 31 December 2016 are set out in Notes V.11 and 12 to the financial statements.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group believes that staffs are important and valuable assets and thus we create career development platform for our staffs, offer reasonable remuneration and benefit packages, actively establish harmonious relationships between the Group and staffs, allow staffs to share the development achievements and realise the mutual growth of our staffs and the Group.

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality services to its customers and fulfilling promises faithfully. The Group develops mutual trust and enhances communication and commitment with its suppliers, regulates the supplier management system and improves the mechanism regarding access and exit of suppliers.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is always committed to energy saving and consumption reduction, continues to enhance environmental protection performance, and accomplishes comprehensive planning, continued investment, structural adjustment, management intensification and the construction of a green and low-carbon transportation system and achieves the sustainable development of the enterprise.

The Group abides by national and local laws, regulations, standards and other provisions relating to environmental protection, insists on simultaneous development and energy conservation, carries out investment and conservation simultaneously, establishes and implements the environmental management system, and includes environmental protection principles and methods in the Company's business decision making. The Group persists in integrating environmental protection and energy conservation into the whole process of production, operations management and project construction, improves the Company's management appraisal rules such as "Measures for the Administration of Environmental Protection", "Measures for Handling Production Safety and Environmental Incidents" and "Measures for Safety and Environmental Protection Appraisal", reduces energy consumption, implements green office and green procurement, conducts environmental protection assessments on engineering construction projects in an all-round manner, and promotes the green development of the enterprise. For details about the environmental policies and performance of the Group, please refer to the "2016 Environmental, Social and Governance Report" to be issued by the Company.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company is a joint stock limited company established under the Company Law of the People's Republic of China. The Group is mainly engaged in travel service, modern logistics and resources development businesses. The Group is required to comply with the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Road Transportation Safety Law of the People's Republic of China and the Tendering and Bidding Law of the People's Republic of China and all other applicable laws and regulations during our normal operating activities. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2016. The Company and its subsidiaries have obtained all significant licenses, approvals and permits for the operation of business from relevant regulatory authorities.

As the Company is listed on the Stock Exchange, and the Group operates cross-border transportation business between Guangdong Province and Hong Kong, the Group is also subject to the Listing Rules, the Securities and Futures Ordinance and applicable laws and regulations (including and not limited to the Road Traffic Ordinance and the Employment Ordinance, etc) in Hong Kong. For the year ended 31 December 2016, as far as the Board and management are aware, the Group had also complied with the Listing Rules, the Securities and Futures Ordinance and applicable laws and regulations in Hong Kong.

The Group has established relatively well-developed internal control and system to supervise and ensure compliance with laws and regulations of the business operations.

COMPETING INTEREST

None of the Directors has any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS AND SUPERVISORS

The Directors who were under current term of office during the year ended 31 December 2016 and up to the date of this report are as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
Executive Directors		
Mr. Xuan Zongmin (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	N/A
Mr. Tang Yinghai (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	N/A
Mr. Yao Hanxiong	18 December 2012	N/A
Mr. Fei Dachuan	4 April 2014	N/A
Mr. Guo Junfa	18 December 2012	N/A
Non-executive Directors		
Mr. Li Bin	18 December 2012	N/A
Mr. Chen Min	7 June 2016	N/A
Mr. Liu Hong	26 June 2014	7 June 2016
Independent Non-executive Directors		
Mr. Gui Shouping	2 February 2004	N/A
Mr. Peng Xiaolei	2 February 2004	N/A
Mr. Jin Wenzhou	4 April 2014	N/A
Ms. Lu Zhenghua	7 June 2016	N/A
Mr. Liu Shaobo	2 February 2004	7 June 2016

The Supervisors who were under current term of office during the year ended 31 December 2016 and up to the date of this report are as follows:

Name	Date of Appointment as Supervisor	Date of Resignation as Supervisor
Mr. Hu Xianhua	7 June 2016	N/A
Mr. Wang Qingwei	7 June 2016	N/A
Mr. Dong Yihua	7 June 2016	N/A
Mr. Lin Hai	7 June 2016	N/A
Mr. Zhen Jianhui	15 April 2014	N/A
Ms. Du Wanyan	7 June 2016	25 January 2017
Ms. Li Xiangrong	7 June 2016	N/A
Mr. Zhang Deyou	17 April 2017	N/A
Ms. Ling Ping	11 June 2015	7 June 2016
Ms. Li Haihong	18 December 2012	7 June 2016
Ms. Lu Zhenghua (Re-designated as an independent non-executive Director on 7 June 2016)	6 June 2012	7 June 2016
Mr. Bai Hua	6 June 2012	7 June 2016
Ms. Zhang Linian	13 April 2015	7 June 2016
Ms. Zhang Anli	15 April 2014	7 June 2016

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his independence pursuant to Rule 3.13 of the Listing Rules. All of the four independent non-executive Directors are considered by the Company as independent parties.

During the period of their current term of office as independent non-executive Directors, Mr. Gui Shouping, Mr. Peng Xiaolei, Mr. Jin Wenzhou and Ms. Lu Zhenghua provided the Board with objective opinions and independent guidance, which indicated that they possessed the required experience and independence to discharge their responsibilities. The Board of the Company has evaluated and reviewed their annual confirmation of independence pursuant to the independence criteria as set out in Rule 3.13 of the Listing Rules, which confirmed that they have complied with the independence requirement.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

The biographies of Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 66 to 75 in this report.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company

None of the Directors and Supervisors holds any interest in the shares, underlying shares and debentures of the Company.

(b) Long positions in shares, underlying shares and debentures of associated corporations of the Company

Name of Associated corporation	Name of Director/ Supervisor	Nature of Interests	Number of shares held	Approximate percentage in relevant class of share capital	Note
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Yao Hanxiong	Personal	2,393	0.0001%	(1)
Guangdong Expressway	Zhen Jianhui	Personal	9,209	0.0005%	(2)

Notes:

(1) Mr. Yao Hanxiong is deemed to be interested in 2,393 shares as a result of his own beneficial interest in the said shares of Guangdong Expressway;

(2) Mr. Zhen Jianhui is deemed to be interested in 9,209 shares as a result of his own beneficial interest in the said shares of Guangdong Expressway.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management officers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REMUNERATION OF THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and Supervisors of the Company and the five highest paid individuals of the Group are set out in the notes VI.4 (6) to the financial statements prepared in accordance with the ASBE. There were no arrangements under which a Director or Supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2016. Pursuant to B.1.5 of the CG Code, the remuneration range of the members of the senior management (including the executive Directors) for the year ended 31 December 2016 is set out below:

Remuneration range (RMB)	Number of persons
Below 300,000	0
300,000 to 500,000	1
500,000 to 700,000	8
700,000 to 900,000	5

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company had entered into service contracts with each of the Directors and Supervisors.

As at 31 December 2016, no Director or Supervisor had entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

In addition to the service contracts with the Company, none of the Directors or Supervisors of the Company had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016.

PERMITTED INDEMNITY PROVISIONS

As of 31 December 2016, the Company has purchased liability insurance for the Directors, the Supervisors and senior management to minimize their losses arising from the performance of their duties. The permitted indemnity provisions are provided in such directors, supervisors and senior management liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors, the Supervisors and senior management.

BOARD COMMITTEES

The Company has established the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee. For details regarding the board committees, please refer to the relevant contents of the section headed Corporate Governance Report as set out in this annual report.

CONTINUING CONNECTED TRANSACTIONS

1. Pursuant to Chapter 14A of the Listing Rules, details of the following continuing connected transactions of the Group for the year ended 31 December 2016 which are required to be disclosed in the annual report of the Company are described below:

(1) Non-exempt continuing connected transactions approved by independent Shareholders

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(a) On 9 August 2006, the Company and GCGC entered into a Taiping Interchange repair services master Agreement (the “Taiping Interchange Master Agreement”), pursuant to which GCGC Group provide repair and renovation services for the Taiping Interchange to the Group pursuant to the execution agreements under the Taiping Interchange Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall 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 initial term. The Company has complied with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for transactions and the annual caps thereof for each of the three years ended 31 December 2016 under the Taiping Interchange Master Agreement.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 amounted to RMB15,700,000, RMB15,355,000 and RMB40,813,000, respectively.</p>	<p>Please refer to the Company’s announcement dated 30 September 2013 and the Company’s circular dated 13 November 2013 for details.</p>
<p>The term of the Taiping Interchange Master Agreement expired on 31 December 2016. Each parties have agreed to renew the term of the Agreement for a further term of three years commencing on 1 January 2017 and ending on 31 December 2019. As the highest applicable percentage ratios in respect of the renewed annual caps under the Taiping Interchange Master Agreement exceed 0.1% but are under 5%, the contemplated transactions are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB34,940,000, RMB20,870,000 and RMB30,560,000, respectively.</p>	<p>Please refer to the Company’s announcement dated 31 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(b) On 15 September 2005, the Company and GCGC entered into a first right of operation agreement (the “First Right of Operation Agreement”), pursuant to which the Company has been granted preferential rights by GCGC. When exercising such preferential rights, members of the Group entered into individual agreements with owners of each of the expressways, which were companies under GCGC Group. The Company has complied with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for transactions and the annual caps thereof for each of the three years ended 31 December 2016 in respect of the Individual Agreements entered into by the Group pursuant to the First Right of Operation Agreement.</p>	<p>The caps for the years ended 31 December 2014, 2015 and 2016 amounted to RMB141,021,100, RMB171,802,900 and RMB196,602,000, respectively.</p>	<p>Please refer to the Company’s announcement dated 30 September 2013 and the Company’s circular dated 13 November 2013 for details.</p>
<p>As the terms of the Individual Agreements entered pursuant to the First Right of Operation Agreement run beyond 31 December 2016, the Company has approved to renew the annual caps for another three years until 31 December 2019 through the extraordinary general meeting held on 8 December 2016.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB171,273,000, RMB177,315,000 and RMB197,461,000, respectively.</p>	<p>Please refer to the Company’s announcements dated 19 September 2016 and 8 December 2016 and the Company’s circular dated 21 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(c) On 27 September 2005, the Company and GCGC entered into a material logistics service master agreement (the “Material Logistics Service Master Agreement”), pursuant to which the Group provides material logistics service to GCGC Group, with a term of three years. Subject to the relevant requirements of the Listing Rules, the Material Logistics Service Master Agreement shall 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 Company has complied with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for transactions and the annual caps thereof for each of the three years ended 31 December 2016 under the Material Logistics Service Master Agreement.</p> <p>The Company approved the renewal of the term of the Material Logistics Services Master Agreement for another three years at the extraordinary general meeting held on 8 December 2016 since such term expired on 31 December 2016, and approved the annual caps for each of the three years ended 31 December 2017, 2018 and 2019.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 amounted to RMB2,853,600,000, RMB2,712,300,000 and RMB1,856,050,000, respectively.</p>	<p>Please refer to the Company’s announcement dated 30 September 2013 and the Company’s circular dated 13 November 2013 for details.</p>
<p>The Company approved the renewal of the term of the Material Logistics Services Master Agreement for another three years at the extraordinary general meeting held on 8 December 2016 since such term expired on 31 December 2016, and approved the annual caps for each of the three years ended 31 December 2017, 2018 and 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB1,989,140,000, RMB2,136,040,000 and RMB877,600,000, respectively.</p>	<p>Please refer to the Company’s announcements dated 19 September 2016 and 8 December 2016 and the Company’s circular dated 21 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(d) On 27 September 2005, the Company and GCGC entered into a material purchase master agreement (the “Material Purchase Master Agreement”), pursuant to which the Group purchases construction materials from GCGC Group pursuant to the execution agreements under the Material Purchase Master Agreement, with a term of three years. Subject to the relevant requirements of the Listing Rules, the Material Purchase Master Agreement shall 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 Company has complied with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for transactions and the annual caps thereof for each of the three years ended 31 December 2016 under Material Purchase Master Agreement.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 were RMB2,380,000,000, RMB1,880,000,000 and RMB1,540,000,000, respectively.</p>	<p>Please refer to the Company’s announcement dated 30 September 2013 and the Company’s circular dated 13 November 2013 for details.</p>
<p>The Company approved the renewal of the term of Material Purchase Master Agreement for another three years at the extraordinary general meeting held on 8 December 2016 since such term was expired on 31 December 2016, and approved the annual caps for each of the three years ended 31 December 2017, 2018 and 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB615,830,000, RMB826,110,000 and RMB260,370,000, respectively.</p>	<p>Please refer to the Company’s announcements dated 19 September 2016 and 8 December 2016 and the Company’s circular dated 21 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(e) On 30 September 2013, the Company and GCGC entered into a rescue services entrustment master agreement (the “Rescue Services Entrustment Master Agreement”), pursuant to which the Group provides the GCGC Group with rescue services pursuant to the execution agreements under the Rescue Services Entrustment Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall 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 initial term. The Company has complied with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for transactions and the annual caps thereof for each of the three years ended 31 December 2016 under Rescue Services Entrustment Master Agreement.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 were RMB36,002,600, RMB40,213,400 and RMB46,351,400, respectively.</p>	<p>Please refer to the Company’s announcement dated 30 September 2013 and the Company’s circular dated 13 November 2013 for details.</p>
<p>The term of Rescue Services Entrustment Master Agreement was expired on 31 December 2016. Each party has agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019. As the highest applicable percentage ratios in respect of the renewed annual caps under Rescue Services Entrustment Master Agreement on an aggregated basis exceed 0.1% but are under 5%, the transactions contemplated under the agreement are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB66,718,000, RMB67,424,000 and RMB71,167,000, respectively.</p>	<p>Please refer to the Company’s announcement dated 31 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(f) The Company (on behalf of itself and its subsidiaries) entered into a financial services agreement and supplemental agreement (collectively "Financial Services Agreement") with Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") on 18 March 2016 and 2 June 2016, respectively, pursuant to which GCG Finance provides financial services (including deposit services, credit services and other financial services) to the Group for a term commencing from 5 August 2016 to 31 December 2018. The Financial Services Agreement and the annual caps thereof for the three years ending 31 December 2016, 2017 and 2018 were approved by independent Shareholders at the Company's extraordinary general meeting held on 5 August 2016.</p>	<p>The maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion for each of the years ending 31 December 2016, 2017 and 2018.</p>	<p>Please refer to the Company's announcements dated 18 March 2016, 2 June 2016 and 5 August 2016 and the Company's circular dated 15 June 2016 for details.</p>

- (2) Discloseable continuing connected transactions exempt from independent Shareholders' approval

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(g) On 27 September 2005, the Company and GCGC entered into a transportation intelligence services and other auxiliary services master agreement, pursuant to which the Group provides transportation intelligence services to GCGC Group pursuant to the execution agreements under the transportation intelligence services and other auxiliary services master agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall 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 initial term. The Group ceased to operate transportation intelligence services since 2013, but operate other auxiliary services. The terms of transportation intelligence services and other auxiliary services master agreement were expired on 31 December 2016.</p> <p>As the terms of transportation intelligence services and other auxiliary services master agreement were expired on 31 December 2016, each party has agreed to extend such terms for another three years to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 were RMB22,523,000, RMB20,973,000 and RMB 20,973,000, respectively.</p> <p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB12,719,000, RMB12,089,000 and RMB 12,117,000, respectively.</p>	<p>Please refer to the Company's announcement dated 30 September 2013 for details.</p> <p>Please refer to the Company's announcement dated 31 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
(h) On 30 December 2014, the Company and Guangdong Humen Bridge Company Limited (" Humen Bridge Company ", an associate of GCGC and therefore a connected person of the Company under Chapter 14A of the Listing Rules) entered into an entrusted operation management contract (the " Entrusted Operation Management Contract "), pursuant to which the Company engaged Humen Bridge Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange for the period from 1 January 2015 to 31 December 2017.	The caps of transactions for the years ended 31 December 2015, 2016 and 2017 were RMB4,700,000 for each year.	Please refer to the Company's announcement dated 30 December 2014 for details.
(i) On 31 March 2014, Guangzhou Yueyun Investment Management Company Limited (" Yueyun Investment Management ", a whole-owned subsidiary of GCGC and therefore a connected person of the Company under Chapter 14A of the Listing Rules) (as lessor) and the Company (as lessee) entered into a lease agreement (the " Lease Agreement ") in respect of the leasing of the leased premises. Pursuant to the Agreement, the Company leased from Yueyun Investment Management the premises located at 8th, 17th, 18th, 19th, 21st, 23rd, 24th, 25th and 26th floors of Yueyun Building (" Yueyun Building "), 3 Zhongshan Second Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC, for office purpose for a term commencing on 1 April 2014 to 31 December 2016.	The caps of transactions for the years ended 31 December 2014, 2015 and 2016 were RMB1,746,390, RMB1,701,816 and RMB 1,701,816, respectively.	Please refer to the Company's announcement dated 31 March 2014 for details.
On 31 October 2016, Yueyun Investment Management (as lessor) and the Company (as lessee) entered into a lease agreement in respect of the leasing of 8th floor of Yueyun Building for restaurant purpose and 17th, 18th, 19th, 21st, 23rd, 24th, 25th, 26th and 27th for office purpose for a term commencing on 1 January 2017 to 31 December 2019.	The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB5,144,158 for each year.	Please refer to the Company's announcement dated 31 October 2016 for details.

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(j) On 29 May 2014, Yueyun Investment Management (as appointor) and Guangdong Yunxing Property Management Company Limited (“Yunxing Property Management”, a subsidiary of the Company) (as appointee) entered into a property management entrustment agreement (the “Property Management Entrustment Agreement”), pursuant to which Yunxing Property Management were engaged by Yueyun Investment Management for the provision of property management services in respect of Yueyun Building for a term from 1 June 2014 to 31 December 2016.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 were RMB8,400,000, RMB9,000,000 and RMB 9,220,000, respectively.</p>	<p>Please refer to the Company's announcement dated 29 May 2014 for details.</p>
<p>On 31 October 2016, Yueyun Investment Management (as appointor) and Yunxing Property Management (as appointee) entered into a property management entrustment framework agreement, pursuant to which Yunxing Property Management were engaged by Yueyun Investment Management for the provision of property management services in respect of Yueyun Building and other relevant properties for a term from 1 January 2017 to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB11,198,000, RMB11,698,000 and RMB 12,198,000, respectively.</p>	<p>Please refer to the Company's announcement dated 31 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
<p>(k) On 30 September 2013, the Company and GCGC entered into an information systems services master agreement (the “Information Systems Services Master Agreement”), pursuant to which GCGC Group will provide the Group with information system services, including construction of information systems, maintenance of information systems, software development and other information technology related services pursuant to the execution agreements under the Information Systems Services Master Agreement, with an initial term of three years commencing on 1 January 2014 and ending on 31 December 2016. Subject to the relevant requirements of the Listing Rules, the Information Systems Services Master Agreement shall 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 initial term.</p>	<p>The caps of transactions for the years ended 31 December 2014, 2015 and 2016 were RMB13,794,000, RMB12,378,000 and RMB 10,992,000, respectively.</p>	<p>Please refer to the Company's announcement dated 30 September 2013 for details.</p>
<p>The term of Information Systems Services Master Agreement expired on 31 December 2016. The parties to Information Systems Services Master Agreement have agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB3,306,000, RMB5,065,000 and RMB 3,310,000, respectively.</p>	<p>Please refer to the Company's announcement dated 31 October 2016 for details.</p>

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
(l) On 11 December 2015, the Company and Yueyun Investment Management entered into the entrusted management agreement (the " Entrustment Management Agreement "), pursuant to which Yueyun Investment Management entrusted its 100% equity interest in Meizhou Yueyun Vehicles Transportation Company Limited, 80% equity interest in Shenzhen Yueyun Investment Development Company Limited and 100% equity interest in Guangdong Yangjiang Vehicles Transportation Group Company Limited and the business operation of such companies to the Company for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.	The caps of transactions for the years ended 31 December 2016, 2017 and 2018 are RMB7,662,000 for each year.	Please refer to the Company's announcements dated 11 December 2015 for details.
(m) On 26 February 2015, The Motor Transport Company of Guangdong and Hong Kong Limited (" GD-HK Company ", a non-wholly owned subsidiary of the Company) and Weisheng Transportation Enterprises Company Limited (" Weisheng ", a subsidiary of GCGC and a connected person of the Company under Chapter 14A of the Listing Rules) entered into the Guangdong and Hong Kong Transportation Branch Outsourcing Agreement, pursuant to which GD-HK Company outsourced the operation of GD-HK Transportation Branch to Weisheng for a term commencing from 1 March 2015 and ending on 31 December 2017.	The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are HK\$27,030,000, HK\$28,880,000 and HK\$30,920,000, respectively.	Please refer to the Company's announcement dated 26 February 2015 for details.

Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
(n) On 26 February 2015, GD-HK Company and Weisheng entered into the Weisheng Bus Outsourcing Agreement, pursuant to which Weisheng outsourced the operation of Weisheng Bus to GD-HK Company for a term commencing from 1 March 2015 and ending on 31 December 2017.	The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are HK\$15,940,000, HK\$17,020,000 and HK\$18,190,000, respectively.	Please refer to the Company's announcement dated 26 February 2015 for details.
(o) On 13 September 2016, Guangdong Yueyun Jia Fu Industrial Ltd. (" Yueyun Jiafu ", a wholly-owned subsidiary of the Company) and Weisheng Dongguan International Logistic Co., Ltd. (" Weisheng Logistics ", a wholly-owned subsidiary of GCGC) entered into the Asphalt Transportation Services Agreement (the " Asphalt Transportation Services Agreement "), pursuant to which the parties agreed that Yueyun Jiafu will entrust Weisheng Logistics to conduct transportation management services for asphalt products for a term commencing from 13 September 2016 and ending on 31 December 2017, subject to the terms of the Asphalt Transportation Services Agreement.	The caps of transactions for the years ended 31 December 2016 and 2017 are RMB7,120,000 and RMB13,800,000, respectively.	Please refer to the Company's announcement dated 13 September 2016 for details.
(p) On 31 October 2016, Yueyun Investment Management as lessor and Guangdong New Way Advertising Company Limited (a subsidiary of the Company) as lessee entered into a lease agreement in respect of the leasing of premises of units A1, B, C, D and E of 5th floor and units A, B, C, D, E, F and G of 6th floor of Yueyun Building for office purpose for a term from 1 January 2017 to 31 December 2019.	The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB1,267,533, RMB1,390,348 and RMB1,486,900, respectively.	Please refer to the Company's announcement dated 31 October 2016 for details.

	Continuing Connected Transactions	Annual Caps	Announcements and Circulars Containing Details
(q)	On 31 October 2016, the Company as supplier and Yueyun Investment Management as purchaser entered into a product supply framework agreement in relation of supply of convenience store merchandise for a term from 1 January 2017 to 31 December 2019.	The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB4,256,000, RMB4,970,000 and RMB 6,470,000, respectively.	Please refer to the Company's announcement dated 31 October 2016 for details.

The Group has followed the policies and guidelines as set out in the relevant announcements and circulars when determining the price and terms of the transactions conducted as set out in (a) to (q) during the year 2016.

2. The Company's independent non-executive directors, Mr. Gui Shouping, Mr. Peng Xiaolei, Mr. Jin Wenzhou and Ms. Lu Zhenghua have reviewed the above continuing connected transactions as set out in (a) to (q) and confirm that these transactions have been entered into:
- (1) in the ordinary and usual course of business of the Company;
 - (2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;
 - (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and
 - (4) on the basis that the internal control procedures established by the Company are sufficient and effective.

3. The following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2016 in relation to the continuing connected transactions of the Company.

Transactions	For the year ended 31 December 2016	
	Annual Cap (RMB'000)	Actual Amount (RMB'000)
<i>Non-exempt continuing connected transactions approved by independent Shareholders</i>		
Provision of repair and renovation services for the Taiping Interchange by members of GCGC to the Group under the Taiping Interchange Master Agreement and the subsisting agreements	40,813	2,664
Grant of a first right to operate the expressway service zones and advertising businesses on the expressways controlled by members of GCGC by GCGC to the Company under the First Right of Operation Agreement and the subsisting agreements	196,602	127,333
Purchase of construction materials from members of GCGC by the Group under the Materials Purchase Master Agreement and the subsisting agreements	1,540,000	836,867
Provision of material logistics services to members of GCGC by the Group under the Material Logistics Services Master Agreement and the subsisting agreements	1,856,050	809,470
Provision of expressway rescue services to members of GCGC by the Group under the Rescue Services Entrustment Master Agreement and the subsisting agreements	46,351	34,224
Deposits with GCG Finance. The maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion	1,000,000	50,252
<i>Discloseable continuing connected transactions exempt from independent Shareholders' approval</i>		

Transactions	For the year ended 31 December 2016	
	Annual Cap (RMB'000)	Actual Amount (RMB'000)
Provision of other auxiliary services to members of GCGC by the Group under the Transportation Intelligence Services and Other Auxiliary Services Master Agreement and the subsisting agreements	20,973	4,207
Engagement of Humen Bridge Company by the Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange under the Entrusted Operation Management Contract	4,700	4,700
Leasing of the leased premises from Yueyun Investment Management by the Group for office purpose under the Lease Agreement	1,702	1,702
Provision of property management services in respect of Yueyun Building by Guangdong Yunxing Property Management Company Limited to Yueyun Investment Management under the Property Management Entrustment Agreement	9,220	8,555
Provision of information system services to the Group by members of GCGC under the Information Systems Services Master Agreement and the subsisting agreements	10,992	2,162
Entrustment of its 100% equity interest in Meizhou Yueyun, 80% equity interest in Shenzhen Yueyun and 100% equity interest in Yangjiang Transportation and the business operations of these companies to the Company by Yueyun Investment Management under the Entrusted Management Agreement	7,662	7,662
Conducting transportation management services for asphalt products by Weisheng Logistics for Yueyun Jiafu under the Asphalt Transportation Services Agreement	7,120	1,332
Outsourcing of the operation of GD-HK Transportation Branch to Weisheng by GD-HK Company under the GD-HK Transportation Branch Outsourcing Agreement	HKD28,880 (equivalent to RMB25,015)	16,708
Outsourcing of the operation of Weisheng Bus to GD-HK Company by Weisheng under the Weisheng Bus Outsourcing Agreement	HKD17,020 (equivalent to RMB14,742)	14,225

4. The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of the continuing connected transactions, the Company's auditor confirmed that:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company in respect of each of the disclosed continuing connected transactions.

CONNECTED TRANSACTIONS

For the year ended 31 December 2016, connected transactions of the Group which are subject to reporting and announcement (exempted from shareholders' approval) requirements under Chapter 14A of the Listing Rules are as follow:

The Asset Transaction Contract entered into between Guangdong Top-E (a subsidiary of the Company) and Guangdong Provincial Freeway Company Limited (a subsidiary of GCGC) on 29 December 2015, to acquire the land and ancillary buildings in the Houmen Service Zone from Guangdong Provincial Freeway Company Limited for a consideration of RMB57,736,060.00. The Asset Transaction Contract became effected on 1 January 2016. For details, please refer to the Company's announcement issued on 29 December 2015. On 10 January 2017, formulations in relation to property right certificates of the land and ancillary buildings of Houmen Service Zone were completed.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Company which occurred during the ordinary course of business of the Company are contained in the Note VI to consolidated financial statements, and whether such transactions fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules are specifically explained therein. Details of such related party transactions constituting "continuing connected transactions" or "connected transactions" under the Listing Rules have been set out in the sections headed "Continuing Connected Transactions" and "Connected Transactions" above, and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 21,172 employees (as at 31 December 2015: 20,516) and the staff costs (including remuneration of Directors) of the Group was RMB1,642,582,000 (year 2015: RMB1,557,897,000) for the year.

The remuneration of the employees of the Group (including the executive Directors) comprises of basic salary, allowance and performance bonus. The basic salary is determined according to the position, work experience, academic background and capacities of the employees. The performance bonus is determined according to the performance assessment results and contribution of the employees. The remuneration of the independent non-executive Directors of the Company is determined with reference to the remuneration standards in the capital market for independent non-executive directors of companies with similar business scope and scale. The non-executive Directors have agreed not to receive any remuneration as non-executive Directors of the Company.

EMPLOYEE TRAINING

The Group has always attached great importance to the training and development of human resources, and made endeavor to provide training and education to employees. We have faithfully implemented budgeted standard for training and development expenses and its implementation plan of the Group. In 2016, we organized a total of 4,877 training and development activities with 64,500 person-time participated in. The trainings are conducted in various forms, covering autonomous internal trainings, external trainings, send-out trainings (including lectures, forums and open courses), group expansion and field trips outside the province. The training and development expenses for 2016 were approximately RMB4.2928 million in aggregate.

EMPLOYEE PENSION SCHEME

Details of the Company's employee pension scheme are set out in Note V.34 to the financial statements prepared in accordance with the ASBE.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2016, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year ended 31 December 2016.

USE OF FUNDS RAISED FROM CORPORATE BONDS OF THE COMPANY

The Company has obtained approval from China Securities Regulatory Commission in respect of the issue of corporate bonds ("**Corporate Bonds**") in a maximum principal amount of RMB0.780 billion to the public in the PRC. The Company issued such corporate bonds in two batches. The issue of the first batch of bonds in a principal amount of RMB0.4 billion was completed on 30 September 2015 and such bonds were listed on Shanghai Stock Exchange on 13 November 2015. The issue of the second batch of bonds in a principal amount of RMB0.38 billion was completed on 21 December 2015 and such bonds were listed on Shanghai Stock Exchange on 27 January 2016.

The Company intends to use all funds raised from these Corporate Bonds to replenish working capital after deducting issue expenses.

As of 31 December 2016, the above funds raised from Corporate Bonds were utilized completely as scheduled and current interests were paid in full.

DONATIONS

Donations of RMB882,000 was made by the Group during the year ended 31 December 2016.

AUDITOR

Deloitte Touche Tohmatsu CPA LLP retired as the auditor of the Company due to expiry of contract on 26 June 2014 and the Company appointed KPMG Huazhen LLP as the auditor of the Company. On 7 June 2016, as approved at the annual general meeting, the Company appointed KPMG Huazhen LLP as the auditor of the Company for a term of office until the close of the next annual general meeting of the Company. KPMG Huazhen LLP has audited the Group's financial statements which were prepared in accordance with the ASBE. The Company will propose a resolution at the annual general meeting to be held on 13 June 2017 to appoint KPMG Huazhen LLP as the auditor of the Company.

MATERIAL LITIGATION OR ARBITRATION

As of the date of this report, 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 broke enterprises under merger and bankruptcy case in the course of execution of the above case. Currently, the merger and bankruptcy case is ongoing. The Company has made full provision for the bad

debts 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 unsure.

SHARE CAPITAL

Details of the share capital of the Company are set out in the note V.37 to financial statements prepared in accordance with the ASBE.

PRE-EMPTIVE RIGHTS

The Articles of Association and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to Shareholders on a pro-rata basis to their shareholdings.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Directors, as at 31 December 2016, Shareholders who had interests or short positions in the shares and underlying shares of the Company required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Class of shares	Number of shares/ underlying shareheld (Note 1)	Capacity	Percentage in relevant class of share capital (%)	Percentage in 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 corporation	16.22%	4.20%
China Petroleum & Chemical Corporation	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
Sinopec Sales Company Limited	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
Sinopec (Hong Kong) Limited	H shares	33,570,000	Beneficial owner	16.22%	4.20%
Shah Capital Management	H shares	17,694,000	Investment manager	8.55%	2.21%
Pope Asset Management, LLC	H shares	11,310,497	Investment manager	5.46%	1.41%
富國基金管理有限公司	H shares	10,391,000	Investment manager	5.02%	1.30%
E Fund Management Co., Ltd.	H shares	10,350,000	Investment manager	5.00%	1.29%

Notes (1): The number of H shares are based on records filed by the shareholders and enquiries made by the Company with the shareholders, taking into account the issue of bonus shares by the Company in 2015.

Notes (2): Sinopec (Hong Kong) Limited is a wholly-owned subsidiary of Sinopec Sales Company Limited and China Petroleum & Chemical Corporation holds as to 70.42% of Sinopec Sales Company Limited while China Petrochemical Corporation holds as to 70.86% 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 of the Company held by Sinopec (Hong Kong) Limited respectively.

Save as disclosed above, as at 31 December 2016, the Company was not aware of any other interests or short positions in the shares or underlying shares of the Company required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CHANGES IN SHARE CAPITAL OF THE COMPANY

Completion of the conversion of the perpetual subordinated convertible securities of the Company ("PSCS") held by GCGC into new Conversion Shares took place on 24 March 2016 upon completion of its registration with China Securities Depository and Clearing Co., Ltd converting the principal amount of RMB281,810,000 at the conversion price of RMB1.625333335 per new Conversion Share. Accordingly, 173,385,000 new Conversion Domestic Shares have been issued and allotted to GCGC.

Set out below is the shareholding structure of the Company immediately before completion of the conversion of the PSCS and immediately after completion of the conversion of the PSCS:

Shareholder	Immediately before completion of the conversion of the PSCS		Immediately after completion of the conversion of the PSCS	
	(No. of Shares)	(%)	(No. of Shares)	(%)
GCGC	419,462,800	66.96	592,847,800	74.12
	Domestic shares		Domestic shares	
Public Shareholders	207,000,000	33.04	207,000,000	25.88
	H shares		H shares	
Total	626,462,800	100	799,847,800	100
	shares		shares	

SUBSTANTIAL SHAREHOLDERS WITH A SHAREHOLDING OF 10% OR MORE IN THE COMPANY

As at 31 December 2016, GCGC held 592,847,800 domestic shares of the Company, respectively representing 74.12% of the total issued share capital of the Company and 100% of its total issued domestic shares.

GCGC is a controlling shareholder of the Company. Its legal representative is Deng Xiao Hua and its registered capital as at 31 December 2016 was RMB26,800,000,000. It is principally engaged in the investment, construction and management of expressways in Guangdong Province, as well as logistics and transportation business.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the percentage of public float exceeds 25% as at the date of this report.

On behalf of the Board

Xuan Zongmin

Chairman of the Board

Guangzhou, The PRC

13 March 2017

Dear Shareholders:

In 2016, based on the principle of safeguarding the interest of all Shareholders, the Supervisory Committee of the Company lawfully performed its supervisory functions in accordance with the relevant requirements under the Company Law, the Articles of Association and the Stock Exchange. The Supervisory Committee monitored the Company's production and operation activities, financial position and the performance by the Directors and senior management members of their duties, providing strong support for the Company's standardized operations. We hereby present the tasks carried out by the Supervisory Committee of the Company during this year:

1. CONVENING SUPERVISORY COMMITTEE MEETINGS

In the year of 2016, the Supervisory Committee of the Company had convened the fourth meeting of the fifth session and the first meeting of the sixth session of the Supervisory Committee. The meeting was convened and held in compliance with the Company Law and the Articles of Association. The resolutions of the meeting were legal and valid.

Upon due consideration at the meeting, the following four resolutions were approved unanimously:

1. Annual Work Report of the Supervisory Committee for 2015;
2. Work Plan of the Supervisory Committee for 2016;
3. Proposal on Change of Shareholder Supervisors and Independent Supervisors; and
4. Proposal on Election of Candidate for New Chairman of the Supervisory Committee.

2. MAJOR TASKS PERFORMED BY THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2016, members of the Supervisory Committee of the Company attended various meetings relating to major business operations and decision making of the Company, such as meetings of the Board of Directors and the party-executive joint conferences, and also reviewed and monitored the voting procedures for major decisions and resolutions, and examined the lawful operation of the Company.

Regarding the Company's major investments, significant capital flows, financial position and other significant events which require shareholder notification, the Supervisory Committee conducted investigation and survey activities and one specific review during the Reporting Period, involving the Company and its subsidiaries.

3. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELATED MATTERS OF THE COMPANY

(1) The operation of the Company according to the laws

In 2016, the procedures for convening board meetings and the process for passing resolutions complied with laws and regulations. The Board was able to strictly execute each of the resolutions and authorizations given at the general meetings. Directors and the management of the Company were able to perform their duties in accordance with the resolutions of the general meetings. The Supervisory Committee was not aware of any violation of the laws, regulations and the Articles of Association or other matters which will damage the interest of the Company and the Shareholders in the course of performing corporate duties by Directors and senior management of the Company.

(2) Financial audit of the Company

KPMG Huazhen LLP has audited the 2016 financial reports of the Company and issued a standard unqualified audit report. After assessment by the Supervisory Committee, the audit report of KPMG Huazhen LLP presents fairly the financial position and operating results of the Company and is truthful and objective.

(3) Connected transactions

The Company was able to enter into connected transactions at market prices based on the principles of being open, fair and just, with no adverse effects on the interests of minority Shareholders holding small to medium sized shareholdings in the Company or the interests of the Company.

Hu Xianhua

Chairman of the Supervisory Committee

Guangzhou, the PRC

24 March 2017

All Shareholders of Guangdong Yueyun Transportation Company Limited:

OPINION

We have audited the accompanying financial statements of Guangdong Yueyun Transportation Company Limited ("the Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2016, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2016, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of trade receivables

Refer to note II (12) significant accounting policies and accounting estimates and note V (3) to the financial statements.

The Key Audit Matter

At 31 December 2016, the Company and its subsidiaries' (the "Group") gross trade receivables totalled RMB 692 million, of which RMB 126 million was aged over three years. Allowances for doubtful debts of RMB 68.74 million were recorded at 31 December 2016.

At 31 December 2016, the Company's gross trade receivables totalled RMB 296 million, of which RMB 105 million was aged over three years. Allowances for doubtful debts of RMB 50.74 million were recorded at 31 December 2016.

The Group's and the Company's trade receivables principally arose from the construction materials supply business and were mainly due from expressway and metro infrastructure constructors. These customers have different credit profiles and the timing of settlement of trade receivables can be influenced by the progress of the relevant construction projects. The Group's and the Company's allowances for doubtful debts are based on management's assessment of individual receivable items, which is estimated by taking into account customer-specific conditions, the repayment history of the customers and their on-going relationship with the Group and the Company.

We identified assessing the recoverability of trade receivables as a key audit matter because trade receivables and allowances for doubtful debts are material to the Group and the Company and because the determination of allowances for doubtful debts is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of trade receivables included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts;
- assessing whether items were correctly categorised in the trade receivables ageing report by comparing a sample of individual items with underlying goods delivery notes, sales invoices and other relevant underlying documentation;
- obtaining an understanding of the basis of management's judgements about the recoverability of individual material and long aged trade receivable balances and evaluating the allowances for doubtful debts made by management for these balances by examining the information used by management to form such judgements, including the debtors' financial information, historical and post year end payment records, records of correspondence or other communications with the debtors to chase settlement of outstanding amounts due and repayment arrangements agreed with specific debtors;
- comparing, on a sample basis, cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2016 with bank-in slips.

Recognition of government subsidies

Refer to note II (25) significant accounting policies and accounting estimates and note V (36) and (50) to the financial statements.

The Key Audit Matter

The Group obtains various subsidies from government authorities in connection with its passenger transportation business. These subsidies principally comprise vehicle related subsidies, fuel subsidies and subsidies for public bus operations. Specific conditions are generally attached to the subsidies which are subject to formal application and approval procedures.

Management evaluates, on a periodic basis, whether the Group has complied with the relevant conditions attached to each subsidy and whether reasonable assurance has been obtained that the subsidies will be received, in order to determine the timing and amounts of subsidies to be recognised.

Management further assesses the terms and designated usage of each subsidy and classifies them either as asset related subsidies or subsidies to compensate for expenses incurred. Asset related subsidies are initially recognised as deferred income and are amortised over the estimated useful lives of the related assets. Subsidies to compensate for expenses already incurred are recognised as income when the subsidies are received or when reasonable assurance has been obtained that the subsidies will be received.

We identified the recognition of government subsidies as a key audit matter because the amount of subsidies is material to the consolidated financial statements and because the exercise of significant management judgement is required in assessing whether the conditions attached to the subsidies have been met and whether there is reasonable assurance that the subsidies will be received.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of government subsidies included the following:

- inspecting, on a sample basis, documentation relating to the subsidies given by the various government authorities and identifying the specific conditions attached to the respective subsidies and respective application and approval procedures;
- obtaining an understanding of the basis of management's judgement about whether the conditions attached to the subsidies have been met and whether reasonable assurance has been obtained that the subsidies will be received and evaluating, on a sample basis, management's judgement by examining the terms of the underlying documentation and by examining the information used by management to form such judgements, which included analyses of relevant operation data, application and approval documents and other correspondence with the government authorities;
- assessing, on a sample basis, the classification of subsidies with reference to the terms of the underlying documentation;
- in respect of asset related subsidies, recalculating, on a sample basis, the amortisation charge for the current year and comparing our calculations with the amounts recorded by the Group;
- in respect of subsidies to compensate for expenses incurred recorded during the current year, comparing, on a sample basis, costs actually incurred with the descriptions of expenses for which the subsidies are to compensate in the relevant documents and correspondence from the government authorities to assess whether the criteria for recognition of the subsidies had been met;
- inspecting bank-in slips, on a sample basis, for the subsidies which were received during the current year.

OTHER INFORMATION

The Company's management is responsible for the other information. The other information comprises all the information included in 2016 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen LLP

Beijing, China

Certified Public Accountants

Registered in the People's Republic of China

Peng Jing (Engagement Partner)

Wang Jie

13 March 2017

CONSOLIDATED BALANCE SHEET

as at 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
Assets			
Current Assets			
Cash at bank and on hand	1	1,604,382,476.44	1,933,761,604.87
Bills receivable	2	5,637,453.96	41,465,258.58
Accounts receivable	3	623,510,509.82	641,484,078.84
Prepayments	4	233,863,232.64	211,651,614.28
Interest receivable		293,588.08	29,495.21
Dividends receivable		3,519,926.87	2,785,352.51
Other receivables	5	377,144,929.57	349,316,709.04
Inventories	6	135,781,363.72	93,067,920.45
Non-current assets due within one year		6,873,783.84	9,991,756.62
Other current assets	7	38,589,634.34	21,645,543.80
Total current assets		3,029,596,899.28	3,305,199,334.20
Non-current assets			
Long-term receivables	8	37,198,798.73	39,449,333.80
Long-term equity investments	9	237,607,363.86	212,740,678.19
Available-for-sale financial assets	10	563,228.22	563,228.22
Investment properties	11	158,523,723.48	175,171,640.98
Fixed assets	12	2,297,194,626.59	2,139,801,503.94
Construction in progress	13	206,174,372.72	187,410,267.89
Intangible assets	14	969,462,406.61	939,322,936.89
Goodwill	15	96,608,224.33	84,597,291.76
Long-term deferred expenses	16	25,188,719.65	27,255,996.55
Deferred tax assets	17	194,373,308.26	187,462,889.23
Other non-current assets	18	410,400,535.92	253,809,550.56
Total non-current assets		4,633,295,308.37	4,247,585,318.01
Total assets		7,662,892,207.65	7,552,784,652.21

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	21	45,000,000.00	126,200,000.00
Bills payable	22	462,401,913.99	215,860,076.38
Accounts payable	23	669,433,886.07	877,405,239.57
Advances from customers	24	234,093,563.11	431,848,779.81
Employee benefits payable	25	164,711,518.41	159,510,179.61
Taxes payable	26	133,486,660.35	132,105,537.30
Interest payable	27	5,095,378.31	5,129,843.86
Dividends payable	28	29,684,164.21	17,584,988.32
Other payables	29	579,127,704.52	584,915,139.42
Non-current liabilities due within one year	30	124,352,447.02	147,920,412.08
Total current liabilities		2,447,387,235.99	2,698,480,196.35
Non-current liabilities			
Long-term loans	31	232,425,730.93	256,438,897.89
Bonds payable	32	774,170,794.08	773,068,638.74
Long-term payables	33	127,549,528.79	48,382,786.48
Long-term employee benefits payable	34	162,139,949.06	175,568,228.12
Provisions	35	1,100,000.00	—
Deferred tax liabilities	17	32,736,936.59	33,405,016.44
Deferred income	36	530,817,920.44	520,851,562.14
Total non-current liabilities		1,860,940,859.89	1,807,715,129.81
Total liabilities		4,308,328,095.88	4,506,195,326.16

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	37	799,847,800.00	626,462,800.00
Other equity instrument	38	—	281,810,000.00
Capital reserve	39	151,749,647.58	45,158,516.51
Other comprehensive income	40	(21,923,638.32)	(32,798,149.44)
Special reserve	41	31,476,221.97	30,225,215.67
Surplus reserve	42	152,853,595.03	142,234,113.99
Retained earnings	43	1,003,132,848.80	781,113,221.65
Total equity attributable to shareholders of the Company	44	2,117,136,475.06	1,874,205,718.38
Non-controlling interests		1,237,427,636.71	1,172,383,607.67
Total shareholders' equity		3,354,564,111.77	3,046,589,326.05
Total liabilities and shareholders' equity		7,662,892,207.65	7,552,784,652.21

These financial statements were approved by the Board of Directors of the Company on 13 March 2017.

Xuan Zongmin
Legal Representative
(Signature and stamp)

Wen Wu
The person in charge
of accounting affairs
(Signature and stamp)

Leng Xuelin
The head of the
accounting department
(Signature and stamp)

(Company Stamp)

The notes on pages 148 to 340 form part of these financial statements.

BALANCE SHEET

as at 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
Assets			
Current Assets			
Cash at bank and on hand	1	1,109,152,535.46	1,381,281,009.40
Bills receivable	2	5,448,453.96	4,500,000.00
Accounts receivable	3	245,609,118.97	215,597,123.60
Prepayments	4	12,759,797.38	2,436,953.05
Interests receivable		275,017.29	—
Dividends receivable		1,023,000.00	1,023,000.00
Other receivables	5	671,436,058.81	468,610,700.64
Inventories	6	2,479,099.78	14,206,820.48
Other current assets	7	—	867,811.37
Total current assets		2,048,183,081.65	2,088,523,418.54
Non-current assets			
Long-term equity investments	9	1,208,707,080.27	1,194,782,486.70
Available-for-sale financial assets	10	777,412.45	777,412.45
Fixed assets	12	6,227,757.60	6,622,951.18
Intangible assets	14	125,660,101.38	143,978,510.65
Long-term deferred expenses	16	4,755,547.36	10,367,030.79
Deferred tax assets	17	149,399,161.35	144,880,899.17
Total non-current assets		1,495,527,060.41	1,501,409,290.94
Total assets		3,543,710,142.06	3,589,932,709.48

The notes on pages 148 to 340 form part of these financial statements.

BALANCE SHEET

as at 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
Liabilities and shareholders' equity			
Current liabilities			
Bills payable	22	92,189,797.25	55,631,886.38
Accounts payable	23	227,073,144.82	146,720,218.39
Advances from customers	24	38,819,006.55	113,865,048.84
Employee benefits payable	25	18,170,696.86	20,128,116.63
Taxes payable	26	13,268,044.80	8,436,988.97
Interest payable	27	4,729,044.48	4,577,888.89
Other payables	29	1,056,903,259.83	1,151,330,585.68
Total current liabilities		1,451,152,994.59	1,500,690,733.78
Non-current liabilities			
Bonds payable	32	774,170,794.08	773,068,638.74
Total non-current liabilities		774,170,794.08	773,068,638.74
Total liabilities		2,225,323,788.67	2,273,759,372.52
Shareholders' equity			
Share capital	37	799,847,800.00	626,462,800.00
Other equity instrument	38	—	281,810,000.00
Capital reserve	39	246,020,107.11	137,596,687.11
Surplus reserve	42	150,375,506.17	139,756,025.13
Retained earnings	43	122,142,940.11	130,547,824.72
Total shareholders' equity		1,318,386,353.39	1,316,173,336.96
Total liabilities and shareholders' equity		3,543,710,142.06	3,589,932,709.48

These financial statements were approved by the Board of Directors of the Company on 13 March 2017.

Xuan Zongmin
Legal Representative
(Signature and stamp)

Wen Wu
The person in charge
of accounting affairs
(Signature and stamp)

Leng Xuelin
The head of the
accounting department
(Signature and stamp)

(Company Stamp)

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
I. Operating income	45	7,319,263,501.79	8,709,333,939.34
II. Less: Operating costs	45	6,039,879,977.47	7,402,569,258.76
Taxes and surcharges	46	60,900,047.14	65,488,867.87
Selling and distribution expenses		92,808,514.22	82,320,420.06
General and administrative expenses		667,255,729.67	695,465,154.84
Financial expenses	47	48,055,312.09	69,998,910.60
Impairment losses	48	30,733,165.48	7,117,356.06
Add: Investment income	49	26,815,976.13	31,917,419.78
(Including: Income from investments in associates and joint ventures)		25,145,731.12	27,163,709.88
III. Operating profit		406,446,731.85	418,291,390.93
Add: Non-operating income	50	218,547,308.50	122,513,637.91
(Including: Gains from disposal of non-current assets)		9,403,581.30	9,776,812.31
Less: Non-operating expenses	51	14,742,402.28	10,392,655.92
(Including: Losses from disposal of non-current assets)		3,439,286.12	3,075,310.23
IV. Profit before income tax		610,251,638.07	530,412,372.92
Less: Income tax expenses	52	149,539,882.50	164,207,640.12
V. Net profit for the year		460,711,755.57	366,204,732.80
Attributable to:			
Shareholders of the Company		336,619,322.19	266,020,283.48
Non-controlling interests		124,092,433.38	100,184,449.32

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
VI. Other comprehensive income, net of tax	54		
(I) Items that will not be reclassified to profit or loss			
1. Remeasurement of defined benefit plan liability		(882,288.00)	(5,396,725.64)
(II) Items that may be reclassified subsequently to profit or loss:			
1. Translation differences arising from translation of foreign currency financial statements		18,049,333.74	14,183,009.01
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		—	(752,563.35)
VII. Total comprehensive income for the year		<u>477,878,801.31</u>	<u>374,238,452.82</u>
Attributable to:			
Shareholders of the Company		347,493,833.31	271,184,561.15
Non-controlling interests		<u>130,384,968.00</u>	<u>103,053,891.67</u>
VIII. Earnings per share			
(I) Basic earnings per share	53(1)	0.44	0.42
(II) Diluted earnings per share	53(2)	<u>0.42</u>	<u>0.33</u>

The notes on pages 148 to 340 form part of these financial statements.

INCOME STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
I. Operating income	45	843,286,800.24	906,208,479.31
II. Less: Operating costs	45	651,908,896.33	764,659,929.07
Taxes and surcharges	46	3,599,596.11	7,764,131.26
Selling and distribution expenses		3,928,390.19	7,616,226.87
General and administrative expenses		81,863,698.99	83,118,325.96
Financial expenses	47	18,298,619.36	13,750,333.16
Impairment losses	48	18,073,048.73	5,798,872.87
Add: Investment income	49	55,192,661.85	42,261,194.83
(Including: Income from investments in associates and joint ventures)		13,199,293.57	15,199,934.72
III. Operating profit		120,807,212.38	65,761,854.95
Add: Non-operating income	50	334,294.81	379,523.25
(Including: Gains from disposal of non-current assets)		—	232.95
Less: Non-operating expenses	51	51,779.05	158,535.26
(Including: Losses from disposal of non-current assets)		31,779.05	142,535.26
IV. Profit before income tax		121,089,728.14	65,982,842.94
Less: Income tax expenses	52	14,894,917.71	12,034,576.90
V. Net profit for the year		106,194,810.43	53,948,266.04
VI. Other comprehensive income, net of tax		—	—
VII. Total comprehensive income for the year		106,194,810.43	53,948,266.04

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		7,917,740,730.95	9,817,051,074.50
Refund of taxes		11,000.00	2,341,335.01
Cash received relating to other operating activities		204,927,460.79	310,644,038.48
Sub-total of cash inflows		8,122,679,191.74	10,130,036,447.99
Payment for goods and services		5,078,561,778.66	6,965,270,877.02
Payment to and for employees		1,642,745,767.87	1,556,112,363.30
Payment of various taxes		398,957,417.49	431,460,256.15
Payment relating to other operating activities		274,325,208.09	210,398,455.63
Sub-total of cash outflows		7,394,590,172.11	9,163,241,952.10
Net cash inflow from operating activities	56(a)	728,089,019.63	966,794,495.89
II. Cash flows from investing activities:			
Proceeds from disposal of investments		—	6,672,076.80
Investment returns received		9,162,933.09	22,690,782.54
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		24,302,238.28	67,644,554.32
Sub-total of cash inflows		33,465,171.37	97,007,413.66
Payment for acquisition of fixed assets, intangible assets and other long-term assets		729,267,108.59	897,252,334.71
Payment for acquisition of investments		11,600,000.00	2,400,000.00
Net payment for acquisition of subsidiaries	56(d)	13,317,728.96	62,183,928.69
Payment for acquisition of non-controlling interests		7,881,214.98	—
Sub-total of cash outflows		762,066,052.53	961,836,263.40
Net cash outflow from investing activities		(728,600,881.16)	(864,828,849.74)

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
III. Cash flows from financing activities:			
Proceeds from investors		27,600,400.00	8,324,525.00
Proceeds from borrowings		304,594,500.00	751,531,425.45
Proceeds from issuance of bonds		—	772,940,000.00
Proceeds relating to other financing activities	56(e)	5,362,064.42	—
Sub-total of cash inflows		337,556,964.42	1,532,795,950.45
Repayments of borrowings		440,743,038.27	1,242,717,966.65
Payment for dividends, profit distributions or interest (Including: Dividends and profits paid to non-controlling shareholders by subsidiaries)		233,207,816.85	193,022,708.59
Payment for fractional shares relating to the conversion of convertible securities		1,580.00	—
Payment relating to other financing activities	56(e)	—	44,798,579.35
Sub-total of cash outflows		673,952,435.12	1,480,539,254.59
Net cash (outflow)/inflow from financing activities		(336,395,470.70)	52,256,695.86
IV. Effect of foreign exchange rate changes on cash and cash equivalents		8,159,283.73	5,581,874.77
V. Net (decrease)/increase in cash and cash equivalents	56(b)	(328,748,048.50)	159,804,216.78
Add: Cash and cash equivalents at the beginning of the year		1,923,407,216.22	1,763,602,999.44
VI. Cash and cash equivalents at the end of the year	56(c)	1,594,659,167.72	1,923,407,216.22

The notes on pages 148 to 340 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		837,545,033.11	1,235,901,302.04
Proceeds from other operating activities		66,340,759.32	6,789,961.64
Sub-total of cash inflows		903,885,792.43	1,242,691,263.68
Payment for goods and services		621,093,139.92	937,623,608.82
Payment to and for employees		45,223,544.66	42,990,532.85
Payment of various taxes		28,981,604.80	27,632,811.04
Payment relating to other operating activities		49,012,694.16	159,157,354.53
Sub-total of cash outflows		744,310,983.54	1,167,404,307.24
Net cash inflow from operating activities	56(a)	159,574,808.89	75,286,956.44
II. Cash flows from investing activities:			
Investment returns received		52,016,799.65	31,699,660.11
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		2,000.00	46,750.00
Sub-total of cash inflows		52,018,799.65	31,746,410.11
Payment for acquisition of fixed assets, intangible assets and other long-term assets		964,601.37	1,618,146.74
Payment for acquisition of investments		262,600,000.00	302,400,000.00
Sub-total of cash outflows		263,564,601.37	304,018,146.74
Net cash outflow from investing activities		(211,545,801.72)	(272,271,736.63)

The notes on pages 148 to 340 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	2016	2015
III. Cash flows from financing activities:			
Proceeds from borrowings		—	200,000,000.00
Proceeds from issuance of bonds		—	772,940,000.00
Proceeds from other financing activities	56(e)	—	358,016,154.09
Sub-total of cash inflows		—	1,330,956,154.09
Repayments of borrowings		—	520,000,000.00
Payment for dividends, profit distributions or interest		140,916,895.67	76,086,302.37
Payment for fractional shares relating to the conversion of convertible securities		1,580.00	—
Payment for other financing activities	56(e)	79,239,005.44	—
Sub-total of cash outflows		220,157,481.11	596,086,302.37
Net cash (outflow)/inflow from financing activities		(220,157,481.11)	734,869,851.72
IV. Effect of foreign exchange rate changes on cash and cash equivalents		—	—
V. Net (decrease)/increase in cash and cash equivalents	56(b)	(272,128,473.94)	537,885,071.53
Add: Cash and cash equivalents at the beginning of the year		1,381,281,009.40	843,395,937.87
VI. Cash and cash equivalents at the end of the year	56(c)	1,109,152,535.46	1,381,281,009.40

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

Note V	Attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instrument	Capital reserve	Special reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total		
I Balance as at 1 January 2016	626,462,800.00	281,810,000.00	45,158,516.51	30,225,215.67	(32,798,149.44)	142,234,113.99	781,113,221.65	1,874,205,718.38	1,172,383,607.67	3,046,589,326.05
II Changes in equity for the year										
1. Total comprehensive income	—	—	—	—	10,874,511.12	—	336,619,322.19	347,493,833.31	130,384,968.00	477,878,801.31
2. Shareholders' contributions										
- Contribution by owners	—	—	—	—	—	—	—	—	27,600,400.00	27,600,400.00
- Acquisition of non-controlling interests	39	—	(1,832,288.93)	—	—	—	—	(1,832,288.93)	(6,048,926.05)	(7,881,214.98)
- Increase from a business combination involving enterprises not under common control		—	—	—	—	—	—	—	1,392,480.89	1,392,480.89
- Loss control of subsidiaries		—	—	—	—	—	—	—	(244,331.10)	(244,331.10)
3. Appropriation of profits	43									
- Appropriation for surplus reserve		—	—	—	—	10,619,481.04	(10,619,481.04)	—	—	—
- Distributions to shareholders		—	—	—	—	—	(103,980,214.00)	(103,980,214.00)	(89,657,531.58)	(193,637,745.58)
4. Transfers within equity										
- Conversion of Perpetual Subordinated Convertible Securities	38	173,385,000.00	(281,810,000.00)	108,423,420.00	—	—	—	(1,580.00)	—	(1,580.00)
5. Specific reserve	41									
- Accrued		—	—	22,869,494.07	—	—	—	22,869,494.07	18,163,268.41	41,032,762.48
- Utilised		—	—	(21,618,487.77)	—	—	—	(21,618,487.77)	(16,546,299.53)	(38,164,787.30)
Sub-total		173,385,000.00	(281,810,000.00)	106,591,131.07	1,251,006.30	10,874,511.12	10,619,481.04	222,019,627.15	65,044,029.04	307,974,785.72
III Balance as at 31 December 2016	799,847,800.00	—	151,749,647.58	31,476,221.97	(21,923,638.32)	152,853,595.03	1,003,132,848.80	2,117,136,475.06	1,237,427,636.71	3,354,564,111.77

The notes on pages 148 to 340 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note V	Attributable to shareholders of the Company							Non-controlling interests	Total shareholders' equity	
		Share capital	Other equity instrument	Capital reserve	Special reserve	Other comprehensive income	Surplus reserve	Retained earnings			Total
I Balance as at 1 January 2015		417,641,867.00	281,810,000.00	170,451,076.51	22,864,907.64	(37,962,427.11)	136,839,287.38	669,480,517.83	1,661,125,229.25	1,060,777,519.57	2,711,902,748.82
II Changes in equity for the year											
1. Total comprehensive income		—	—	—	—	5,164,277.67	—	266,020,283.48	271,184,561.15	103,053,891.67	374,238,452.82
2. Shareholders' contributions											
- Contribution by owners		—	—	—	—	—	—	—	—	8,324,525.00	8,324,525.00
- Increase from a business combination involving enterprises not under common control		—	—	—	—	—	—	—	—	64,719,601.73	64,719,601.73
- Capital reduction by owners		—	—	—	—	—	—	—	—	(1,503,218.34)	(1,503,218.34)
3. Appropriation of profits	43										
- Appropriation for surplus reserve		—	—	—	—	—	5,394,826.61	(5,394,826.61)	—	—	—
- Distributions to shareholders		—	—	—	—	—	—	(62,646,280.05)	(62,646,280.05)	(58,223,446.31)	(120,869,726.36)
- Distribution of earnings of convertible securities		—	—	—	—	—	—	(2,818,100.00)	(2,818,100.00)	—	(2,818,100.00)
4. Transfers within equity											
- Capitalisation of capital reserve	39	125,292,560.00	—	(125,292,560.00)	—	—	—	—	—	—	—
- Distribution of share dividends	43	83,528,373.00	—	—	—	—	—	(83,528,373.00)	—	—	—
5. Specific reserve	41										
- Accrued		—	—	—	25,951,796.68	—	—	—	25,951,796.68	20,181,847.07	46,133,643.75
- Utilised		—	—	—	(18,591,488.65)	—	—	—	(18,591,488.65)	(14,947,112.72)	(33,538,601.37)
Sub-total		208,820,933.00	—	(125,292,560.00)	7,360,308.03	5,164,277.67	5,394,826.61	111,632,703.82	213,080,489.13	121,606,088.10	334,686,577.23
III Balance as at 31 December 2015		626,462,800.00	281,810,000.00	45,158,516.51	30,225,215.67	(32,798,149.44)	142,234,113.99	781,113,221.65	1,874,205,718.38	1,172,383,607.67	3,046,589,326.05

The notes on pages 148 to 340 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2016

(Expressed in Renminbi Yuan)

	Note V	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Retained earnings	Total equity
I. Balance as at 1 January 2016		<u>626,462,800.00</u>	<u>281,810,000.00</u>	<u>137,596,687.11</u>	<u>139,756,025.13</u>	<u>130,547,824.72</u>	<u>1,316,173,336.96</u>
II. Changes in equity for the year							
1. Total comprehensive income		—	—	—	—	106,194,810.43	106,194,810.43
2. Appropriation of profits	43						
– Appropriation for surplus reserve		—	—	—	10,619,481.04	(10,619,481.04)	—
– Distributions to shareholders		—	—	—	—	(103,980,214.00)	(103,980,214.00)
3. Transfers within equity							
– Conversion of Perpetual Subordinated Convertible Securities	38	<u>173,385,000.00</u>	<u>(281,810,000.00)</u>	<u>108,423,420.00</u>	—	—	<u>(1,580.00)</u>
Sub-total		<u>173,385,000.00</u>	<u>(281,810,000.00)</u>	<u>108,423,420.00</u>	<u>10,619,481.04</u>	<u>(8,404,884.61)</u>	<u>2,213,016.43</u>
III. Balance as at 31 December 2016		<u><u>799,847,800.00</u></u>	<u><u>—</u></u>	<u><u>246,020,107.11</u></u>	<u><u>150,375,506.17</u></u>	<u><u>122,142,940.11</u></u>	<u><u>1,318,386,353.39</u></u>

The notes on pages 148 to 340 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2015

(Expressed in Renminbi Yuan)

	Note V	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Retained earnings	Total equity
I. Balance as at 1 January 2015		417,641,867.00	281,810,000.00	262,889,247.11	134,361,198.52	230,987,138.34	1,327,689,450.97
II. Changes in equity for the year							
1. Total comprehensive income		—	—	—	—	53,948,266.04	53,948,266.04
2. Appropriation of profits	43						
– Appropriation for surplus reserve		—	—	—	5,394,826.61	(5,394,826.61)	—
– Distributions to shareholders		—	—	—	—	(62,646,280.05)	(62,646,280.05)
– Distribution of earnings of convertible securities		—	—	—	—	(2,818,100.00)	(2,818,100.00)
3. Transfers within equity							
– Capitalisation of capital reserve	39	125,292,560.00	—	(125,292,560.00)	—	—	—
– Distribution of share dividends	43	83,528,373.00	—	—	—	(83,528,373.00)	—
Sub-total		208,820,933.00	—	(125,292,560.00)	5,394,826.61	(100,439,313.62)	(11,516,114.01)
III. Balance as at 31 December 2015		626,462,800.00	281,810,000.00	137,596,687.11	139,756,025.13	130,547,824.72	1,316,173,336.96

The notes on pages 148 to 340 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

I. COMPANY STATUS

Guangdong Yueyun Transportation Company Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 28 December 1999 as a limited company under the name of Guangdong Yuedi Communications Company Limited by Guangdong Provincial Highway Construction Company Limited, Guangdong Communication Enterprise Investment Company Limited, Guangdong Province Road & Bridge Construction Development Company Limited, Guangdong Weisheng Transportation Enterprise Company Limited and Guangdong Guantong Expressway Assets Management Company Limited. On 25 December 2000, Guangdong Yuedi Communications Company Limited was converted to a joint stock limited company under the approval of the People’s Government Municipality Yue Ban Han [2000] No. 685 and Economic and Trade Commission of Guangdong Province Yue Jing Mao Jian Du [2000] No. 1057. On 1 April 2002, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong Yuedi Communications Company Limited was renamed as Guangdong South China Logistics Enterprise Limited. The registered capital of the Company was RMB 292,187,322.00. On 5 August 2013, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong South China Logistics Enterprise Limited was renamed as Guangdong Yueyun Transportation Company Limited.

In 2005, according to the shareholders’ resolution and the revised Company’s Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB 1.00 per H share on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”), including 125,454,545 new H shares, and 12,545,455 H shares converted from domestic shares. The registered capital of the Company was changed to RMB 417,641,867.00 after the placing and public offer.

According to the resolution of the Annual General Meeting held on 11 June 2015, the Company issued two bonus shares for every 10 shares by way of the capitalisation of the retained earnings and three shares for every 10 shares by way of the capitalisation of the share premium based on the total share capital of 417,641,867 shares of the Company as at 31 December 2014. The registered capital of the Company was changed to RMB 626,462,800.00 accordingly.

On 24 March 2016, Guangdong Provincial Communication Group Company Limited (“GCGC”) executed the conversion of the Perpetual Subordinated Convertible Securities (“PSCS”) held by it with a principal amount of RMB 281,810,000.00 into domestic ordinary shares of the Company, which resulted in an increase of the Company’s ordinary shares of 173,385,000.00. The registered capital of the Company was changed to RMB 799,847,800.00 accordingly.

I. COMPANY STATUS *(Continued)*

The principal businesses of the Company and its subsidiaries (the “Group”) include: (1) travel service, mainly including passenger and cargo transportation services within Guangdong Province, interprovincial transportation services, multi-modal logistics, passenger and freight station, storage, lightering, automobile leasing and repair, and cross border transportation services between Hong Kong and Guangdong Province, expressway service zones operation and related auxiliary services, such as operating food and beverage networks, convenience stores and fuel sales; (2) modern logistics, mainly including logistics management and supply of construction materials for expressways and other sizable infrastructure projects, small pieces of express; (3) resource development, mainly including the operation business and toll collection at Tai Ping Interchange in Guangdong Province, the PRC, advertising and land development.

The parent of the Company and its ultimate holding company is GCGC. The registered office is 8th floor, No.1731-1735 Airport Road, Guangzhou, the PRC. The legal representative of the Company is Mr. Xuan Zongmin.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation

The financial statements of the Company have been prepared on the going concern basis.

The financial statements have been prepared in accordance with the requirements of Accounting Standard for Business Enterprises issued by the Ministry of Finance (MOF) of the PRC. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(2) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2016, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

(3) Basis of accounting

The Group has adopted the accrual basis of accounting.

(4) Accounting period

The Group has adopted the calendar year as its accounting year, from 1 January to 31 December.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(5) Functional currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company’s overseas subsidiaries choose Hong Kong dollar as their functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to present its financial statements, and the financial statements of foreign subsidiaries have been translated based on the accounting policy as set out in Note II. (10).

(6) Accounting treatments for business combinations involving enterprises under and not under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

(a) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Any costs directly attributable to the combination are recognised in profit or loss for the current period when occurred.

The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(6) Accounting treatments for business combinations involving enterprises under and not under common control *(Continued)*

(b) Business combinations involving enterprises not under common control and goodwill

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets (including the equity interest in the acquiree held before the acquisition date) given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and other consultancy service and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

Where a business combination involving enterprises not under common control is achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income for the current period. The amount recognised in other comprehensive income relating to the previously held equity interest in the acquiree (see Note II. 14 (2) (b)) is reclassified as investment income for the current period when the acquisition takes place.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***(6) Accounting treatments for business combinations involving enterprises under and not under common control** *(Continued)**(b) Business combinations involving enterprises not under common control and goodwill (Continued)*

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. On disposal of an asset group or a set of asset groups, any attributable amount of the purchased goodwill is written off and included in the calculation of the profit or loss on disposal. Goodwill is tested for impairment at least at the end of each year.

For the calculation and recognition of impairment of goodwill, please refer to Note II. (21).

(7) Preparation of consolidated financial statements*(a) General principles*

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests. Changes in the interest in a subsidiary without a change in control are accounted for as equity transactions.

The significant accounting policies and accounting periods adopted by the PRC subsidiaries are determined based on the uniform accounting policies and accounting periods adopted by the Company. Where the accounting policies and accounting periods adopted by foreign subsidiaries are inconsistent with those of the Company, appropriate adjustments are made to the subsidiaries' financial statements in accordance with the accounting policies and accounting periods of the Company.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(7) Preparation of consolidated financial statements (Continued)

(b) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amount of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(c) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

(d) Changes in non-controlling interests

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests. Changes in the interest in a subsidiary without a change in control are accounted for as equity transactions.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***(8) Interests in a joint operation**

Joint operation is a joint arrangement whereby the parties that have joint control (the definition of joint control is set out in Note II. (14) (3)) of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group as a joint operator (i.e. a party to a joint operation that has joint control of the arrangement), shall recognise in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

(9) Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term and highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(10) Foreign currency transactions and translation of financial statements denominated in foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the purpose of acquisition or construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date.

Assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. Equity items, excluding "retained earnings", are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The cumulative amount of the translation differences accumulated in shareholders' equity with respect to a foreign operation is transferred to profit or loss when the foreign operation is disposed.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Financial instruments

Financial instruments of the Group include cash at bank and on hand, equity investments other than those classified as long-term equity investments as set out in Note II. (14), receivables, payables, loans and borrowings, bonds payable, other equity instrument and share capital, etc.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Receivables are measured at amortised cost using the effective interest method.

- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are generally recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as set out in Note II. (24) (d).

- Financial liabilities other than the financial liabilities at fair value through profit or loss are subsequent measured at amortised cost using the effective interest method. However, a financial guarantee issued by the Group is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note II. (23)).

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(11) Financial instruments (Continued)

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged or cancelled or expired.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(11) Financial instruments *(Continued)*

(d) *Impairment of financial assets*

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

For the calculation method of impairment of receivables, please refer to Note II. (12). The impairment of other financial assets is measured as follows:

– Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

(e) *Equity instrument*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

Other equity instrument held by the Company as at the period end represented the PSCS issued by the Company. The PSCS is classified as equity instrument. The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Earnings distributed for the PSCS in issue are treated as appropriation of profits. Where the PSCS is redeemed according to relevant terms of agreement, the consideration and transaction costs paid by the Company for the redemption are deducted from shareholders' equity.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(12) Receivables and impairment

The Group's receivables include accounts receivable and other receivables, etc. Accounts receivable from sales of goods or rendering of services are initially recognised at the fair value of the contracts with customers.

(a) Receivables that are individually significant and assessed individually for impairment

Judgment basis or criteria for receivables that are individually significant The Group considers accounts receivable individually greater than RMB 10 million (including RMB 10 million) and other receivables individually greater than RMB 2 million (including RMB 2 million) are significant.

Method of provisioning for bad and doubtful debts for receivables that are individually significant Impairment is assessed on an individual basis. Where there is objective evidence that the and assessed individually Group won't be able to collect the receivables according to the original contract terms, impairment loss is provided and calculated as the excess of its carrying amount over the present value of the estimated future cash flows.

(b) Receivables that are individually insignificant but assessed individually for impairment

The Group assesses the recoverability of insignificant receivable items on an individual basis. Where there is objective evidence that the receivables that are individually insignificant have been impaired, the Group will individually assesses them and made bad debt provision based on the difference between the present value of estimated future cash flows and the carrying amount.

(13) Inventories

(a) Classification and initial recognition

The Group's inventories mainly include spare parts, construction materials, low-value consumables, packaging materials, goods on hand and construction contracts-costs incurred but not settled.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

Costs of a construction contracts comprise the direct and indirect costs incurred during the period from the date of entering into the contract to the final completion of the contract and attributable to the contract. The excess of (a) costs incurred plus recognised profits (less recognised losses) over (b) settled amount of construction contract is presented in the balance sheet as inventory, or as advance from customers when (b) exceeds (a).

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(13) Inventories** (Continued)*(b) Cost of inventories transferred out*

Cost of inventories transferred out is calculated using the weighted average method.

(c) Amortisation method for low-value consumables and packaging materials

Consumables including low-value consumables and packaging materials are amortised in full when received for use.

(d) Basis for determining the net realisable value and provisioning methods for impairment losses of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet date events. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis. After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(e) Inventory system

The Group maintains a perpetual inventory system.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statement of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to share premium in the capital reserve, with any excess adjusted against retained earnings.

For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

Where a business combination involving enterprises not under common control is achieved in stages, the cost of combination is the aggregate of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree.

(b) Long-term equity investments acquired other than through a business combination

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the policies described in Note II. (7).

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(14) Long-term equity investments *(Continued)*

(2) Subsequent measurement of long-term equity investment *(Continued)*

(b) Investment in joint ventures and associates

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

An associate is an enterprise over which the Group has significant influence.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash.

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

The Group makes the following accounting treatments when using the equity method:

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income ("other changes in owners' equity"), and recognises the corresponding adjustment in shareholders' equity.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(14) Long-term equity investments (Continued)

(2) Subsequent measurement of long-term equity investment (Continued)

(b) Investment in joint ventures and associates (Continued)

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owner's equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group makes provision for impairment of investments in joint ventures and associates in accordance with the principles described in Note II. (21).

(3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement exists only when decisions about the relevant activities with significant impact on the returns of the arrangement require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is that the Group has power to participate in the financial and operational decisions of an investee but does not have control or joint control over those decisions.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(15) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Specifically exemplify as a land use right that is leased out; a land use right held for transfer upon capital appreciation and a building that is leased out.

An investment property is measured initially at cost. Subsequently expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties are accounted for using the cost model. The Group adopts a depreciation or amortisation policy for the investment properties which is consistent with that for buildings or land use rights.

For the testing and measurement of impairment on investment properties, please refer to Note II. (21).

When an investment property is sold, transferred, disposed or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss.

(16) Fixed assets

(a) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of over one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the expenditures will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(16) Fixed assets***(b) Depreciation of each category of fixed assets*

Depreciation of a fixed asset begins in the next month when it is available for use. A fixed asset is depreciated over its useful life using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful lives (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10 - 60	0 - 5	1.58 - 10.00
Building improvement	3 - 5	0	20.00 - 33.33
Transportation vehicle	4 - 12	0 - 5	7.92 - 25.00
Machinery and equipment	5 - 12	0 - 5	7.92 - 20.00
Electronic equipment, office equipment and others	3 - 10	0 - 5	9.50 - 33.33
Pier	44	0	2.27

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year end.

*(c) For the method of impairment testing and measurement of fixed assets, refer to Note II. (21).**(d) Identification basis and valuation methods for fixed assets acquired under finance leases*

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset.

(e) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised when the fixed asset is on disposal or no future economic benefit is expected to be generated from its use or disposal. When a fixed asset is sold, transferred, disposed or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(17) Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for its intended use.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note II. (21)).

(18) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

(19) Intangible assets

Intangible assets, other than toll bridge franchise operating rights which are initially recognised based on the agreed amount of shareholder's capital contribution, are measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(19) Intangible assets** (Continued)

Estimated useful life of intangible assets are as follows:

Category	Estimated useful lives (years)
Land use rights	20 - 70/Indefinite
Joint operating earning rights	10
Computer software	5 - 10
Coastline use right	48
Passenger service licenses	Indefinite
Station franchise operating rights	38
Toll bridge franchise operating rights	30
Trademark rights	10
Route license use rights and route operation rights	3 - 20

The Group reassesses the useful lives and amortisation method of intangible assets with a finite useful live at each financial year end, and makes necessary adjustments when necessary.

The Station franchise operating right held by the Group represents the Xintang Passenger Station franchise operating right obtained from government authority. The Group is entitled to the right to charge fees to users of relevant public services during the concession period, however, the right does not constitute an unconditional right to receive cash and the fee amounts to be received are not guaranteed. Therefore, the Group recognises the concession right as intangible asset and amortises it over the concession period using straight-line method.

The toll bridge franchise operating right held by the Group represents Tai Ping Interchange franchise operating right which was injected by a shareholder and was granted to the shareholder by government authority previously. The Group is entitled to the right to charge toll fees to users of relevant public services, however, the right does not constitute an unconditional right to receive cash and the toll fee amounts to be received are not guaranteed. Therefore, the Group recognises the concession right as intangible asset and amortises it over the concession period of 30 years using straight-line method.

Expenditure on an internal research and development project of the Group is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognised in profit or loss when incurred. Expenditure on the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note II. (21)). Other development expenditure is recognised as an expense in the period in which it is incurred.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(20) Long-term deferred expenses**

Expenditure incurred with beneficial period over one year is recognised as long-term deferred expenses. Long-term deferred expenses are stated in the balance sheet at cost less accumulated amortisation and impairment losses.

Long-term deferred expenses are amortised over their beneficial periods. The respective amortisation periods for the long-term deferred expenses are as follows:

Items	Amortisation period (years)
Renovation costs of station auxiliary facilities	5 - 10
Long-term assets rental fee	2 - 50
Leasehold improvements	5 - 10

For the method of impairment testing and measurement of long-term deferred expenses, refer to Note II. (21).

(21) Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- investment properties measured using a cost model
- long-term deferred expenses
- long-term equity investments
- goodwill

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset, (or asset group, set of asset groups, as below) is the higher of its fair value (see Note II. (22)) less costs to sell and its present value of expected future cash flows.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(21) Impairment of assets other than inventories and financial assets *(Continued)*

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(22) Fair value measurement

Unless otherwise specified, the Group determines fair value measurement as below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(23) Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

When all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that the reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provisions.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(24) Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met:

(a) Sale of goods

Revenue is recognised when (1) significant risks and rewards of ownership of the goods have been transferred to the buyer; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

(b) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Revenue is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the economic benefits will flow to the Group; (3) the stage of completion of the transaction can be determined reliably; and (4) the costs incurred or to be incurred can be measured reliably. At the balance sheet date, where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion based on the proportion of services performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable if the costs incurred are expected to be recovered, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

Revenue from passenger and cargo transportation services is recognised when the services are rendered.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(24) Revenue recognition (Continued)

(c) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses are recognised using the percentage of completion method at the balance sheet date. The stage of completion of a contract is determined based on the proportion of the completed contract work to the estimated total contract work.

When the outcome of a construction contract cannot be estimated reliably, (1) if contract costs can be recovered, revenue is recognised to the extent of contract costs incurred that can be recovered; and contract costs are recognised as expenses in the period in which they are incurred; (2) otherwise, the contract costs are recognised as contract expenses immediately when incurred, and no contract revenue is recognised. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognised using the percentage of completion method.

If the estimated total contract costs exceed total contract revenue, the expected loss is recognised immediately as an expense for the period.

(d) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(e) Royalties from intangible assets

Royalty income from intangible assets is determined according to the period and method of charging as stipulated in the relevant contracts or agreements.

(25) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group. Specific transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(25) Government grants *(Continued)*

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. According to grants' nature that is explicitly stipulated in the relevant government documents, government grants are classified into government grants related to assets and government grants related to income.

A government grant related to an asset is recognised as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset.

A grant that compensates the Group for expenses to be incurred in future is recognised initially as deferred income, and released to profit or loss in the periods in which the expenses are recognised. A grant that compensates the Group for expenses already incurred is recognised in profit or loss immediately.

(26) Specific reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the expenses. When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilisation of the safety fund for fixed assets, the specific reserve is reduced as the fixed assets are recognised, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognised in accumulated depreciation with respect to the related fixed assets. As a consequence, such fixed assets are not depreciated in subsequent periods.

(27) Income tax

The income tax expenses include current income tax and deferred income tax.

(a) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Income tax (Continued)

(b) *Deferred tax assets and deferred tax liabilities*

For temporary differences arise from the differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the applicable tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(27) Income tax (Continued)

(b) *Deferred tax assets and deferred tax liabilities (Continued)*

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

(28) Operating leases and finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of a leased asset to the lessee. An operating lease is a lease other than finance lease.

(a) *The Group as lessee under operating leases*

Operating lease payments are recognised on a straight-line basis over the lease term, and are recognised as part of the cost of another related asset or as expenses. Initial direct costs incurred are charged to profit or loss when incurred. Contingent rents are charged to profit or loss when they are actually incurred.

(b) *The Group as lessor under operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs with over an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss when they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

(c) *The Group as lessee under finance leases*

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs (see Note II.18).

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)**(29) Employee benefits***(a) Short-term employee benefits*

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits - defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Company and its domestic subsidiaries participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Company and its domestic subsidiaries makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

Pursuant to the relevant laws and regulations of Hong Kong, subsidiaries of the Company in Hong Kong make contributions to the Mandatory Provident Fund Schemes for all Hong Kong employees at the lower of 5% of the monthly employee benefits or the cap, which is adjusted annually. The contributions are recognised as part of the cost of assets or charged to profit or loss when incurred.

(c) Post-employment benefits - defined benefit plans

The qualified retired employees and early retired employees of the Group are entitled to certain amount of allowance for a period of time.

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of the defined benefit liability are recognised in other comprehensive income.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

(29) Employee benefits *(Continued)*

(d) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- The Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

When the provision are not expected to be settled wholly within twelve months after the end of the reporting period, and the financial impact is material, the obligation shall be measured on a discounted basis using a appropriate discount rate.

(30) Profit distributions to shareholders

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(31) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)***(32) Segment reporting**

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

(33) Significant accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note II. (15), (16), (19), (20) and (25) contain information about the accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, intangible assets, long-term deferred expenses and recognition of government subsidies. Notes V (3), (4), (5), (6), (10), (12), (13), (15) and (16) contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimate is as follows:

- (i) Note V (34): Liabilities of retirement benefits.

III. TAXATION

(1) Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value added tax (VAT)	Income from sale of goods	13%, 17%
VAT	Transportation income (Note 1)	exempted, 0%, 3%, 11%
VAT	Income from cargo storage and rescue service	6%
VAT	Service income derived from highway facilities and other auxiliary facilities(Note 2)	11%, 5%
VAT	Income from construction contracts and toll income(Note 2)	11%, 3%
Business tax	Income from rendering services in highway facilities and other auxiliary facilities before 1 May 2016 (Note 2)	5%
Business tax	Income from construction contracts and toll income before 1 May 2016 (Note 2)	3%
City maintenance and construction tax	VAT paid and business tax paid before 1 May 2016	5%, 7%
Education surcharge and local education surcharge	VAT paid and business tax paid before 1 May 2016	3%, 2%
Embankment protection fee	Operating income except for cross-border transportation income (Note 3)	0%, 0.05%, 0.1%, 0.13%
Cultural construction fee	Income from advertisements	3%
Enterprise income tax	Taxable profit (Note 4)	20%, 15%, 25%
Hong Kong profits tax	Assessable profit	16.5%

Note 1: According to "The Announcement of Implementation Measures on Value Added Tax Pilot Scheme including Railway Transport and Postal Service Sectors" (Cai shui [2013] No. 106) and "The Implementation Measures of the Pilot of Changing from Business Tax into Value-added Tax for Transportation Industry and Certain Modern Service Industries". Before 30 April 2016, the Group's subsidiaries that meet the conditions of levying VAT instead of business tax pilot shall apply the VAT rates. For domestic subsidiaries engaged in cross-border transportation, the cross-border transportation revenues from The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited is exempted from VAT and the cross-border transportation revenues from Guangdong Yue Li Jia Passenger Transport Company apply zero VAT rate. For the subsidiaries engaged in domestic transportation, part of them apply the simplified calculation method with tax levy rate of 3% for VAT calculation purpose and the rest apply the general calculation method with tax rate of 11%.

According to "Notice on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax" (Caishui [2016] No. 36), the pilot scheme on levying VAT in place of business tax has been implemented nationwide since 1 May 2016, Caishui [2013] No.106 has been abolished. For the subsidiaries engaged in transportation service, the VAT rate is still applicable as above.

III. TAXATION (Continued)

(1) Main types of taxes and corresponding tax rates (Continued)

Note 2: According to Caishui [2016] No. 36, the pilot scheme on levying VAT in place of business tax has been implemented nationwide since 1 May 2016. Accordingly, VAT instead of business tax shall be levied on certain taxable services of the Group's subsidiaries that meet certain conditions. For income from rendering services in highway facilities and other auxiliary facilities, simple tax computation method with a levy rate of 5% applies if service contracts were signed before 1 May 2016, while general tax computation method with a tax rate of 11% applies if service contracts were signed after 1 May 2016. For income from construction contracts, general tax computation method with a tax rate of 11% generally applies, except that simple tax computation method with a tax rate of 3% could be applied to certain construction services if they meet certain particular conditions according to "The Guidance of Levying Value-added Tax in Place of Business Tax on Construction Service". As to toll income, simple tax computation method with levy rate of 3% applies.

Note 3: The Group's subsidiaries in Guangzhou are exempted from embankment protection fee since 1 January 2015. Pursuant to "The Announcement of Exemption of Business Administrative Charges issued by Guangzhou Financial Bureau and Price Bureau" (Caishui [2014] No. 195), the embankment protection fee in Guangzhou is exempted since 1 January 2015.

Note 4: The Group's subsidiaries Guangdong Yunxing Property Management Company Limited, Yangjiang Yangdong Yueyun Langri Passenger Transportation Company Limited, Yangjiang Yueyun Langri Vehicle Driving Training Company Limited, Lianping Yueyun Passenger Transportation Company Limited, Dongyuan County Dengta Town Yueyun Property Lease Company Limited, Shaoguan City Xi'an Traffic Travel Agency Company Limited, Heyuan Yue Payment Technology Company Limited, Guangdong Gangtong Vehicles Transportation Company Limited and the group's former subsidiary Shaoguan City Qujiang District Canmoutianxia Catering Service Company Limited meet the conditions of Small-scaled minimal profit enterprise. Pursuant to "The Announcement of Preferential tax treatment of Small-scaled minimal profit enterprise issued by Ministry of Finance and National Tax Bureau" (Caishui [2015] No. 34), the Small-scaled minimal profit enterprise with an annual taxable income below RMB 200,000 (RMB 200,000 included) is entitled to a preferential tax treatment of 50% exemption of taxable income and application of Income Tax rates as 20% from 1 January 2015 to 31 December 2017.

The Group's subsidiary Guangdong Yueyun Jia Fu Industrial Ltd has passed the identification of High-tech Enterprise, and enjoys the preferential tax rate of 15% during 2016-2018.

Except for the above ten companies, the income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2015: 25%).

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1 The subsidiaries of the Group as at the end of 2016 and 2015

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
1	Guangdong New Way Advertising Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 33,000,000.00	RMB 33,000,000.00	100	100	Established
2	Guangdong Yueyun Jia Fu Industrial Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics services	RMB 10,000,000.00	RMB 10,000,000.00	100	100	Established
3	Guangdong Yueyun Transportation (HK) Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Material Logistics services	HKD 1,500,000.00	HKD 1,500,000.00	100	100	Established
4	Guangdong Top-E Expressway Service Zone Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 100,000,000.00	RMB 98,831,192.00	95.56	95.56	Business combinations involving enterprises under common control
5	Guangdong Tongyi Landscape Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 20,000,000.00	RMB 20,000,000.00	100	100	Business combinations involving enterprises under common control
6	Guangdong Jingdaoda Expressway Economic Development Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 10,000,000.00	RMB 10,277,412.45	100	100	Business combinations involving enterprises under common control
7	Guangdong South China Logistics Enterprise Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics services	RMB 180,000,000.00	RMB 207,632,494.21	100	100	Business combinations involving enterprises under common control
8	The Motor Transport Company of Guangdong and Hong Kong Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 9,000,000.00	HKD 5,580,000.00	62	62	Business combinations involving enterprises under common control
9	Gang Tong (HK) Motor Transport Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 500,000.00	HKD 500,000.00	100	100	Business combinations involving enterprises under common control
10	Yue Kong Shipping Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 20,000.00	HKD 20,000.00	100	100	Business combinations involving enterprises under common control

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2016 and 2015 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
11	Guangdong Yue Lijia Passenger Transport Company (Hong Kong)	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 10,000.00	HKD 7,000.00	70	70	Business combinations involving enterprises under common control
12	The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 25,000,000.00	HKD 15,500,000.00	62	62	Business combinations involving enterprises under common control
13	Shenzhen Yuegang Transport Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 10,500,000.00	HKD 10,500,000.00	100	100	Business combinations involving enterprises under common control
14	Guangdong Yue Lijia Passenger Transport Company (Guangzhou)	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 3,500,000.00	HKD 2,450,000.00	70	70	Business combinations involving enterprises under common control
15	Guangdong Province Transportation Engineering Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Real Estate leasing	RMB 17,040,000.00	RMB 69,564,856.62	100	100	Business combinations involving enterprises under common control
16	Guangdong Vehicles Transportation Group Co., Ltd. ("GVTS")	Domestic and non-financial	Guangdong China	Guangdong China	Investment and domestic transportation	RMB 60,000,000.00	RMB 748,110,000.00	100	100	Business combinations involving enterprises under common control
17	Guangdong Province Guangyang High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,000,000.00	RMB 2,010,000.00	67	67	Business combinations involving enterprises under common control
18	Guangdong Province Yangjiang City Guangyang High-Speed Railway Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 500,000.00	RMB 335,000.00	67	67	Business combinations involving enterprises under common control
19	Guangdong Yunxing Property Management Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property management	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises under common control
20	Chaozhou City Yueyun High-Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 500,000.00	RMB 255,000.00	51	51	Business combinations involving enterprises under common control
21	Guangdong Yueyun Second Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 5,000,000.00	RMB 2,550,000.00	51	51	Business combinations involving enterprises under common control
22	Foshan City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 20,000,000.00	RMB 128,000,000.00	51	51	Business combinations involving enterprises under common control

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2016 and 2015 (Continued)

No.	Full name of the subsidiary	Type	Incorporation		Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
			place	China							
23	Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 100,000,000.00	RMB 68,212,500.00	51	51	Business combinations involving enterprises under common control
24	Deqing County Yueyun Bus Terminal Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Station services	RMB 19,778,320.00	RMB 21,726,038.98	100	100	Business combinations involving enterprises under common control
25	Zhaoqing City Yueyun Logistics Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Logistics services	RMB 2,000,000.00	RMB 2,000,000.00	100	100	Business combinations involving enterprises under common control
26	Foshan City Sanshui District Yueyun Traffic Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 20,000,000.00	RMB 10,200,000.00	51	51	Business combinations involving enterprises under common control
27	Guangdong Yueyun Traffic Rescue Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Traffic Rescue	RMB 60,000,000.00	RMB 60,000,000.00	100	100	Business combinations involving enterprises under common control
28	Guangdong Province Guangshen High Speed Coach Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 6,000,000.00	RMB 3,060,000.00	51	51	Business combinations involving enterprises under common control
29	Shenzhen City Shenwei Lighter Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 12,000,000.00	RMB 6,600,000.00	55	55	Business combinations involving enterprises under common control
30	Guangdong Yueyun Langri Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 156,750,000.00	RMB 79,942,500.00	51	51	Business combinations involving enterprises under common control
31	Yangjiang Yangdong Bus Terminal Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Station services	RMB 1,000,000.00	RMB 16,969,900.00	100	100	Business combinations involving enterprises under common control
32	Yangchun Langri Fuels Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Fuel supply	RMB 1,000,000.00	RMB 1,609,540.00	100	100	Business combinations involving enterprises under common control
33	Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong	China	Guangdong	Station services	RMB 500,000.00	RMB 300,000.00	60	100	Business combinations involving enterprises under common control
34	Yangjiang City Yueyun Langri Public Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 19,064,000.00	RMB 12,391,600.00	65	65	Business combinations involving enterprises under common control
35	Yangchun City's Third Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 580,000.00	RMB 198,660.00	70	100	Business combinations involving enterprises under common control
36	Yangjiang Yangdong Yueyun Langri Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 1,000,000.00	RMB 1,794,686.61	100	100	Business combinations involving enterprises under common control
37	Yangchun City Yueyun Langri Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 150,000.00	RMB 150,000.00	100	100	Business combinations involving enterprises under common control

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(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2016 and 2015 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
38	Yangchun City Yueyun Langri Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
39	Yangxi County Yueyun Langri Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
40	Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,682,600.00	RMB 2,146,740.93	51	51	Business combinations involving enterprises under common control
41	Zhongshan City Eastern Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 630,000.00	RMB 630,000.00	100	100	Business combinations involving enterprises under common control
42	Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 3,700,000.00	70	70	Business combinations involving enterprises under common control
43	Guangzhou City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 503,000.00	RMB 3,853,222.62	51	51	Business combinations involving enterprises under common control
44	Guangzhou City Yueyun Public Bus Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 900,000.00	RMB 900,000.00	100	100	Business combinations involving enterprises under common control
45	Guangzhou City Yueyun Auto Maintenance Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Maintenance services	RMB 100,000.00	RMB 100,000.00	100	100	Business combinations involving enterprises under common control
46	Guangzhou City Zengcheng Automobile Passenger Traffic Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 30,000,000.00	RMB 42,000,000.00	60	60	Business combinations involving enterprises under common control
47	Guangdong Yuntong Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 1,296,513.20	100	100	Business combinations involving enterprises under common control
48	Heyuan City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	RMB 151,868,580.65	51	51	Business combinations involving enterprises under common control
49	Foshan City Yueyun Hexing Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 1,020,408.00	RMB 5,247,896.42	51	51	Business combinations involving enterprises under common control
50	Zhaoqing High-tech Zone Yueyun Development Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station reconstruction	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
51	Yang Jiang City Yueyun Langri Fuels Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Fuel retail	RMB 3,000,000.00	RMB 3,000,000.00	100	100	Established
52	Yang Jiang City Yueyun Langri Logistics Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	General freight	RMB 2,000,000.00	RMB 2,000,000.00	100	100	Established

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2016 and 2015 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
53	Long Chuan County Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 500,000.00	RMB 500,000.00	100	100	Established
54	Yang Jiang City Yueyun Langri Property Development Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Property development	RMB 23,033,300.00	RMB 23,033,300.00	100	100	Established
55	Guangdong Gangtong Vehicles Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 5,000,000.00	HKD 5,000,000.00	100	100	Established
56	Yang Jiang City Yueyun Langri International Travel Service Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism services	RMB 500,000.00	RMB 500,000.00	100	100	Established
57	Guangzhou Yueyun Insurance Surveyors And Loss Adjusters Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Insurance inspection, appraisal, and risk assessment	RMB 2,020,000.00	RMB 1,020,000.00	51	51	Established
58	Heyuan City Chengnan Freight Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Established
59	Zijin County Yueyun Property Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property management	RMB 6,500,000.00	RMB 6,500,000.00	100	100	Established
60	Guangzhou Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 48,000,000.00	RMB 48,000,000.00	100	100	Established
61	Heyuan City Yueyun Tongxing Travel Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises not under common control
62	Heyuan City Yueyun Ludu Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 9,000,000.00	RMB 9,000,000.00	100	100	Business combinations involving enterprises not under common control
63	Yang Jiang City Yangzha New Image Public Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,000,000.00	RMB 7,405,000.00	100	100	Business combinations involving enterprises not under common control
64	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics Services	RMB 9,800,000.00	RMB 2,000,101.06	100	100	Established
65	Yangjiang City Yueyun Langri Advertising Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Advertising Services	RMB 3,000,000.00	RMB 1,500,000.00	100	100	Established
66	Liangping County Zhongxin Town Yueyun Property Leasing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 5,445,000.00	RMB 500,000.00	100	100	Established

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(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2016 and 2015 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
67	Heyuan City Yuancheng District Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Established
68	Liangping County Yueyun Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Established
69	Dongyuan County Dengta Town Yueyun Property Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 500,000.00	RMB 500,000.00	100	100	Established
70	Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 50,000,000.00	RMB 265,540,000.00	61.75	61.75	Business combinations involving enterprises not under common control
71	Yangshan County Yueyun Motor Inspection Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Inspection	RMB 400,000.00	RMB 400,000.00	100	100	Business combinations involving enterprises not under common control
72	Qingyuan City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	RMB 3,000,000.00	100	100	Business combinations involving enterprises not under common control
73	Qingyuan City Jinyu Vehicle Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tax Services	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises not under common control
74	Shaoguan Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 142,779,951.08	RMB 167,240,842.09	56.86	56.86	Business combinations involving enterprises not under common control
75	Renhua County Feima Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises not under common control
76	Shaoguan Polycorn Motor Vehicle Driving Training Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Motor Driver Training	RMB 1,000,000.00	RMB 700,000.00	70	70	Business combinations involving enterprises not under common control
77	Shaoguan City ZhwinTrade Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Leasing and Trading	RMB 4,449,275.00	RMB 4,449,275.00	100	100	Business combinations involving enterprises not under common control
78	Shaoguan City Xian Tourist Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,700,000.00	RMB 1,700,000.00	100	100	Business combinations involving enterprises not under common control
79	Shaoguan City Xian Traffic Travel Agency Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism Services	RMB 300,000.00	RMB 300,000.00	100	100	Business combinations involving enterprises not under common control
80	Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 110,000.00	RMB 110,000.00	100	100	Business combinations involving enterprises not under common control
81	Lechang City Pingshi Yonglong Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises not under common control

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2016 and 2015 (Continued)

No.	Full name of the subsidiary	Type	Incorporation		Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
			place	China							
82	Shiwing County Junxing City-Village Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 1,000,000.00	RMB 510,000.00	51	51	Business combinations involving enterprises not under common control
83	Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 3,000,000.00	RMB 1,530,000.00	51	51	Business combinations involving enterprises not under common control
84	Shantou office of Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 2,000,000.00	RMB 1,020,000.00	51	51	Business combinations involving enterprises not under common control
85	Zhaoqing Yueyun Travel Service Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Tourism Services	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Established
86	Yangjiang Yueyun Langni Vehicle Driving Training Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Motor Driver Training	RMB 3,000,000.00	RMB 2,000,000.00	100	100	Established
87	Shanwei Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 35,000,000.00	RMB 67,334,634.63	51	51	Business combinations involving enterprises not under common control
88	Lufeng Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 40,000,000.00	RMB 52,424,045.42	100	100	Business combinations involving enterprises not under common control
89	Haijeng Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 30,000,000.00	RMB 36,788,985.14	100	100	Business combinations involving enterprises not under common control
90	Shanwei General Coach Terminal Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Station Service	RMB 110,000.00	RMB 8,494,497.73	100	100	Business combinations involving enterprises not under common control
91	Shanwei City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 580,000.00	RMB 317,492.00	54.74	54.74	Business combinations involving enterprises not under common control
92	Haijeng Coach Terminal Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Station Service	RMB 6,640,000.00	—	100	100	Business combinations involving enterprises not under common control

Note 1: Due to shareholders' assignment and some other agreements, the Group's percentage of voting right is more than percentage of direct and indirect holdings.

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Subsidiaries acquired through establishment or investment during the year

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital RMB	Year end actual investment RMB	Shareholding percentage %	Voting rights percentage %
1	Guangdong Yueyun Development Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Commercial service	RMB 13,000,000.00	RMB 13,000,000.00	100	100
2	Hafeng Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	—	100	100
3	Luhe Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	—	100	100
4	Lufeng Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	—	100	100
5	Yangjiang Yueyun Langri Taxi Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 5,000,000.00	—	100	100

3 Subsidiaries acquired through business combination not under common control during the year

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital RMB	Year end actual investment RMB	Shareholding percentage %	Voting rights percentage %
1	Heyuan Yue Payment Technology Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Development and sale of smart cards and electronic payment systems	RMB 1,000,000.00	RMB 1,816,300.00	70	70
2	Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 2,000,000.00	RMB 15,114,900.00	100	100
3	Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,000,000.00	RMB 3,000,000.00	100	100
4	Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd. (Formerly known as Guangzhou City Top-E Ya Tu Expressway Tourism Service Co., Ltd., "Roadnet Innovalues Media")	Domestic and non-financial	Guangdong China	Guangdong China	Software and Information technology service	RMB 12,000,000.00	RMB 5,908,860.00	50	55

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4 Business combinations involving enterprises not under common control during the year

On 26 January 2016, the acquisition date, the Group's subsidiary, Heyuan Yueyun Motor Transportation Co., Ltd., acquired 70% equity interests of Heyuan Yue Payment Technology Co., Ltd. by paying cash of RMB 1,816,300.00 as acquisition costs.

The fair value of the 70% equity interests as at the acquisition date was RMB 1,759,821.81.

Heyuan Yue Payment Technology Co., Ltd. was established on 24 August 2015 in Heyuan, Guangdong. It is mainly engaged in developing and selling smart cards and electronic payment systems. Before the acquisition, its ultimate holding company was Heyuan Smart Cards Co., Ltd..

Key financial information of Heyuan Yue Payment Technology Co., Ltd. is as follows:

	From 26 January 2016 (acquisition date) to 31 December 2016 RMB
Revenue	1,680,253.25
Net profit	52,343.59
Net cash inflow	1,248,542.10

The identifiable assets and liabilities are as follows:

	26 January 2016		31 December 2015
	Carrying Amount RMB	Fair value RMB	Carrying Amount RMB
Current assets	3,372,573.83	3,372,573.83	3,319,501.07
Fixed assets	1,166,988.45	1,166,988.45	1,240,037.00
Other non-current assets	213,841.35	213,841.35	214,240.00
Current liabilities	(2,239,372.48)	(2,239,372.48)	(2,179,085.79)
Identifiable net assets	<u>2,514,031.15</u>	<u>2,514,031.15</u>	<u>2,594,692.28</u>

On 1 July 2016, the acquisition date, the Group's subsidiary, Qingyuan Yueyun Vehicles Transportation Co., Ltd. acquired 100% equity interests of Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd. by paying cash of RMB 15,114,900.00 as acquisition costs.

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4 Business combinations involving enterprises not under common control during the year

(Continued)

The fair value of the identifiable net assets of Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd. as at the acquisition date was RMB 3,103,967.43. The excess of the acquisition costs over the fair value of identifiable assets and liabilities, amounting to RMB12,010,932.57, was recognised as goodwill.

Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd. was established on 12 October 2000 in Qingyuan, Guangdong. It is mainly engaged in providing passenger and freight transportation services. Before the acquisition, its ultimate holding company was Qingyuan Qingxin District Traffic Management Station.

Key financial information of Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd. is as follows:

	From 1 July 2016 (acquisition date) to 31 December 2016 RMB
Revenue	3,629,007.92
Net profit	293,922.39
Net cash inflow	2,933,233.12

The identifiable assets and liabilities are as follows:

	1 July 2016		31 December 2015
	Carrying Amount RMB	Fair value RMB	Carrying Amount RMB
Current assets	4,738,498.18	4,738,498.18	6,940,700.36
Fixed assets	3,200,803.58	2,438,037.36	3,633,723.76
Other non-current assets	114,840.00	114,840.00	174,840.00
Current liabilities	(4,187,408.11)	(4,187,408.11)	(7,245,547.03)
Identifiable net assets	<u>3,866,733.65</u>	<u>3,103,967.43</u>	<u>3,503,717.09</u>

The Group's percentage of shareholding in Roadnet Innovalues Media is 50%. In accordance with the board resolution reached in September 2016 and the amended terms of articles of association, the Group is in substance entitled to 55% of equity interests in Roadnet Innovalues Media and accordingly obtained the control over Roadnet Innovalues Media since then and included it in the scope of consolidation. This business combination involving enterprises not under common control was achieved in stages, the Group remeasured its previously-held equity interests to its fair value at the acquisition date, with the difference of RMB 713,919.00 between its fair value and its carrying amount being recognised as investment income in current period.

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4 Business combinations involving enterprises not under common control during the year

(Continued)

Roadnet Innovalues Media was established on 14 August 2009 in Guangzhou, Guangdong. It is mainly engaged in research and development of network technology, advertisement and digital animation production etc.. It was a joint venture of the Group previously.

Key financial information of Roadnet Innovalues Media is as follows:

	From 26 September 2016 (acquisition date) to 31 December 2016 RMB
Revenue	2,436,897.84
Net losses	(241,678.01)
Net cash inflow	3,269,222.29

The identifiable assets and liabilities are as follows:

	26 September 2016		31 December 2015
	Carrying Amount RMB	Fair value RMB	Carrying Amount RMB
Current assets	2,764,869.26	2,764,869.26	2,894,802.36
Fixed assets	1,246,762.99	5,817,173.62	500,024.26
Other non-current assets	677,532.50	677,532.50	829,606.90
Current liabilities	(7,831,737.39)	(7,831,737.39)	(5,981,144.15)
Identifiable net (liabilities)/assets	<u>(3,142,572.64)</u>	<u>1,427,837.99</u>	<u>(1,756,710.63)</u>

5 Former subsidiaries that ceased to be consolidated during the year

Shaoguan Yueyun Vehicles Transportation Co., Ltd merged with Nanxiong City Public Transportation Co., Ltd., Nanxiong City Lutong Passenger Transportation Co., Ltd. and Shixing County Zhengli Vehicle Lease Co., Ltd. by way of absorption merger on 2 December 2016, 2 December 2016 and 14 December 2016, respectively. The three subsidiaries were deregistered at the same day.

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5 Former subsidiaries that ceased to be consolidated during the year (Continued)

The Group disposed of the 58% equity interests in a subsidiary, Shaoguan Libao Technology Co., Ltd., on 29 December 2016 and consequently lost the control over it. The gain of RMB1,812,517.75 arising from the transaction was recognised as investment income in consolidated financial statements. As at 31 December 2016, the Group held 42% equity interests in Shaoguan Libao Technology Co., Ltd. and had significant influence over it. The Group re-measured the remaining equity investment in it based on the fair value as at the date that the Group lost its control and accounted for the remaining investment using the equity method in subsequent measurement.

A subsidiary of the Group, Shaoguan City Qujiang District Canmoutianxia Catering Service Co., Ltd., entered into liquidation proceedings in August 2016 and relevant documents were sealed up since then. The Group was not able to exercise control over it and hence has not included it in the scope of consolidation.

6 Material non-controlling interests

Ownership interests held by non-controlling interests (“NCI”) of the Company’s subsidiaries that are material to the Group are set out as follows:

2016

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to NCI during the year RMB	Dividends paid to NCI during the year RMB	Other changes during the year RMB	Accumulated NCI at the end of the year RMB
The Motor Transport Company of Guangdong and Hong Kong Limited	38%	7,566,609.89	(2,205,230.63)	6,981,910.67	113,299,353.16
Foshan City Yueyun Public Transportation Co., Ltd.	49%	10,865,696.87	(7,693,000.00)	108,781.54	146,349,256.34
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	49%	15,494,285.70	(30,183,408.77)	(6,689,078.89)	148,628,023.77
Guangdong Yueyun Langri Co., Ltd.	49%	36,183,299.79	(13,825,350.00)	5,871,313.33	192,424,964.31
Heyuan City Yueyun Motor Transportation Co., Ltd.	49%	7,109,384.51	(1,369,241.46)	1,211,306.35	119,414,688.05
Qingyuan Yueyun Vehicles Transportation Co., Ltd	38.25%	23,962,643.78	(14,749,715.13)	17,103,381.55	181,989,044.60
Guangdong Shaoguan Vehicles Transportation Group Co., Ltd.	43.14%	11,084,967.12	(9,094,753.45)	(923,970.84)	163,424,960.52

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6 Material non-controlling interests (Continued)

2015

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to NCI during the year RMB	Dividends paid to NCI during the year RMB	Other changes during the year RMB	Accumulated NCI at the end of the year RMB
The Motor Transport Company of Guangdong and Hong Kong Limited	38%	7,129,536.05	(1,313,641.00)	5,692,474.92	105,446,698.81
Foshan City Yueyun Public Transportation Co., Ltd.	49%	11,002,081.41	(8,575,000.00)	(799,754.69)	143,067,777.93
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	49%	27,261,354.31	(23,684,650.52)	590,254.83	163,957,299.53
Guangdong Yueyun Langri Co., Ltd.	49%	36,142,453.67	(13,825,350.00)	2,710,979.82	167,627,017.49
Heyuan City Yueyun Motor Transportation Co., Ltd.	49%	2,051,805.72	(564,715.11)	(738,375.66)	112,463,238.66
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	38.25%	16,023,760.24	—	6,407,662.82	155,672,734.39
Guangdong Shaoguan Vehicles Transportation Group Co., Ltd.	43.14%	7,851,163.70	—	1,467,588.39	139,706,290.45

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6 Material non-controlling interests (Continued)

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made in light of the fair value at the consolidation date and difference in accounting policies:

	2016						
	The Motor Transport Company of Guangdong and Hong Kong Limited RMB	Foshan City Yueyun Public Transportation Co., Ltd. RMB	Zhaoqing City Yueyun Motor Transportation Co., Ltd. RMB	Guangdong Yueyun Langri Co., Ltd. RMB	Heyuan City Yueyun Motor Transportation Co., Ltd. RMB	Qingyuan Yueyun Yueyun Vehicles Transportation Co., Ltd. RMB	Guangdong Shaoguan Vehicles Transportation Group Co., Ltd. RMB
Current assets	209,818,376.01	75,323,350.98	94,679,637.00	154,241,498.53	141,389,302.59	390,369,674.00	151,000,077.36
Non-current assets	173,689,838.88	325,915,890.64	296,810,117.27	477,195,373.96	550,559,438.95	398,812,218.34	307,291,141.74
Total assets	<u>383,508,214.89</u>	<u>401,239,241.62</u>	<u>391,489,754.27</u>	<u>631,436,872.49</u>	<u>691,948,741.54</u>	<u>789,181,892.34</u>	<u>458,291,219.10</u>
Current liabilities	(67,240,973.04)	(81,787,866.19)	(82,165,256.79)	(144,270,848.42)	(237,440,065.64)	(165,480,138.58)	(115,448,187.34)
Non-current liabilities	(9,104,935.71)	(20,779,423.72)	(6,002,000.00)	(100,902,714.23)	(208,036,711.89)	(147,870,032.80)	(45,089,344.78)
Total liabilities	<u>(76,345,908.75)</u>	<u>(102,567,289.91)</u>	<u>(88,167,256.79)</u>	<u>(245,173,562.65)</u>	<u>(445,476,777.53)</u>	<u>(313,350,171.38)</u>	<u>(160,537,532.12)</u>
Operating income	235,010,587.59	369,383,950.29	471,272,841.62	593,727,488.72	239,084,870.04	412,289,602.34	229,937,146.77
Net profit for the year	19,978,389.01	22,174,891.57	31,620,991.23	74,028,679.57	14,492,603.96	62,653,167.70	25,477,745.72
Total comprehensive income	38,740,430.31	22,174,891.57	31,620,991.23	74,028,679.57	14,492,603.96	62,653,167.70	25,477,745.72
Net cash inflow from operating activities	42,738,230.67	77,757,245.66	90,427,419.07	122,699,326.61	67,936,026.02	66,191,480.13	58,402,467.73

	2015						
	The Motor Transport Company of Guangdong and Hong Kong Limited RMB	Foshan City Yueyun Public Transportation Co., Ltd. RMB	Zhaoqing City Yueyun Motor Transportation Co., Ltd. RMB	Guangdong Yueyun Langri Co., Ltd. RMB	Heyuan City Yueyun Motor Transportation Co., Ltd. RMB	Qingyuan Yueyun Yueyun Vehicles Transportation Co., Ltd. RMB	Guangdong Shaoguan Vehicles Transportation Group Co., Ltd. RMB
Current assets	180,996,770.01	117,395,194.71	112,194,670.70	168,345,245.15	93,203,213.78	393,521,640.17	169,910,187.98
Non-current assets	153,213,352.39	392,074,751.62	310,384,878.72	435,297,771.85	495,154,843.53	386,992,090.60	342,932,200.37
Total assets	<u>334,210,122.40</u>	<u>509,469,946.33</u>	<u>422,579,549.42</u>	<u>603,643,017.00</u>	<u>588,358,057.31</u>	<u>780,513,730.77</u>	<u>512,842,388.35</u>
Current liabilities	(55,876,714.63)	(189,250,881.24)	(72,377,889.63)	(170,834,667.70)	(254,700,624.24)	(188,360,275.24)	(124,553,513.65)
Non-current liabilities	(5,034,429.69)	(28,244,008.08)	(9,546,000.00)	(98,124,819.70)	(100,469,549.46)	(156,910,964.37)	(61,593,803.01)
Total liabilities	<u>(60,911,144.32)</u>	<u>(217,494,889.32)</u>	<u>(81,923,889.63)</u>	<u>(268,959,487.40)</u>	<u>(355,170,173.70)</u>	<u>(345,271,239.61)</u>	<u>(186,147,316.66)</u>
Operating income	223,912,848.44	362,592,086.35	511,021,203.60	568,121,268.35	229,704,626.06	343,563,846.11	211,330,416.27
Net profit for the year	18,405,313.52	22,453,227.36	55,713,236.18	69,302,549.11	4,187,358.61	41,896,017.25	23,540,289.32
Total comprehensive income	33,284,975.65	22,453,227.36	55,713,236.18	69,302,549.11	4,187,358.61	41,896,017.25	23,540,289.32
Net cash inflow from operating activities	36,531,099.49	85,206,868.56	100,980,600.13	135,246,858.66	75,439,743.61	58,522,537.15	97,537,588.87

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7 Exchange rate used for major items in the financial statements of overseas operating entities

As at 31 December 2016, overseas subsidiaries translate all asset and liability items in their balance sheet by applying the spot exchange rate at the year end as HKD 1 against RMB 0.8945; and all items in the income statement and items reflecting the distributions of profits are translated by applying the average exchange rate during the year as HKD 1 against RMB 0.8662.

V. NOTES TO THE FINANCIAL STATEMENTS

1 Cash at bank and on hand

The Group

	2016			2015		
	Original currency	Exchange Rate	Amount in RMB	Original currency	Exchange Rate	Amount in RMB
Cash on hand						
RMB	—	—	15,563,210.11	—	—	18,029,329.87
HKD	140,808.17	0.8945	125,952.91	159,577.57	0.8378	133,694.08
Deposits with banks						
RMB	—	—	1,415,942,395.40	—	—	1,814,895,582.37
USD	1,935,057.17	6.9369	13,423,298.08	1,399,322.00	6.4936	9,086,637.33
HKD	111,069,693.91	0.8945	99,351,841.20	96,994,476.70	0.8378	81,261,972.57
Deposits in GCG Finance (Note1)						
RMB	—	—	50,252,470.02	—	—	—
Other monetary funds (Note2)						
RMB	—	—	8,113,190.72	—	—	8,092,328.65
HKD	1,800,000.00	0.8945	1,610,100.00	2,700,000.00	0.8378	2,262,060.00
Total			<u>1,604,382,476.44</u>			<u>1,933,761,604.87</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Cash at bank and on hand (Continued)

The Company

	Original currency	2016		Original currency	2015	
		Exchange Rate	RMB		Exchange Rate	RMB
Cash on hand						
RMB	—	—	507.69	—	—	718.81
Deposits with banks						
RMB	—	—	1,058,899,557.75	—	—	1,381,280,290.59
Deposits in GCG Finance (Note1)	—	—	50,252,470.02	—	—	—
RMB						
Total			<u>1,109,152,535.46</u>			<u>1,381,281,009.40</u>

Note1: Deposits in Guangdong Provincial Communication Group Finance Company Limited (“GCG Finance”) refer to deposits saved in GCG Finance (Note VI. 4 (q)), a wholly-owned subsidiary of GCGC (Note VI. 4 (d)). GCG Finance is a company incorporated in the PRC and a non-banking financial institution with the financial institution licence issued by the China Banking Regulatory Commission.

Note2: Other monetary funds as at 31 December 2016 comprise letter of guarantee, bidding deposits and property maintenance funds with total amount of RMB9,723,308.72 (31 December 2015: RMB10,354,388.65).

2 Bills receivable

(1) Classification of bills receivable

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Bank acceptance bills	<u>5,637,453.96</u>	<u>41,465,258.58</u>	<u>5,448,453.96</u>	<u>4,500,000.00</u>

The above bills receivable are due within one year.

(2) The Group and the Company had no undue discounted bank acceptance bills or undue endorsed bank acceptance bills at 31 December 2016 and 31 December 2015.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**3 Accounts receivable***The Group*

(1) Accounts receivable by category:

	2016				2015			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount RMB	Percentage(%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Individually significant and assessed individually for impairment	375,248,916.54	54.21	49,727,419.34	11.65	334,031,583.74	48.99	14,264,922.29	4.27
Individually insignificant but assessed individually for impairment	317,002,250.15	45.79	25,013,237.53	7.89	347,839,790.18	51.01	26,122,372.79	7.51
Total	<u>692,251,166.69</u>	<u>100.00</u>	<u>68,740,656.87</u>	<u>9.93</u>	<u>681,871,373.92</u>	<u>100.00</u>	<u>40,387,295.08</u>	<u>5.92</u>

(2) The ageing analysis of accounts receivable is as follows:

As at 31 December 2016

	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	469,188,273.08	—	469,188,273.08
Over 3 months and within 6 months (inclusive)	17,780,024.90	—	17,780,024.90
Over 6 months and within 1 year (inclusive)	38,515,148.08	—	38,515,148.08
Over 1 year and within 2 years (inclusive)	34,130,255.46	5,555,140.27	28,575,115.19
Over 2 years and within 3 years (inclusive)	6,549,912.90	634,554.48	5,915,358.42
Over 3 years	<u>126,087,552.27</u>	<u>62,550,962.12</u>	<u>63,536,590.15</u>
Total	<u>692,251,166.69</u>	<u>68,740,656.87</u>	<u>623,510,509.82</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Accounts receivable (Continued)

The Group (Continued)

(2) The ageing analysis of accounts receivable is as follows: (Continued)

As at 31 December 2015

	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	469,553,051.38	—	469,553,051.38
Over 3 months and within 6 months (inclusive)	20,695,438.69	—	20,695,438.69
Over 6 months and within 1 year (inclusive)	29,902,804.34	—	29,902,804.34
Over 1 year and within 2 years (inclusive)	23,777,777.55	737,373.72	23,040,403.83
Over 2 years and within 3 years (inclusive)	5,630,226.68	1,419,584.21	4,210,642.47
Over 3 years	132,312,075.28	38,230,337.15	94,081,738.13
Total	<u>681,871,373.92</u>	<u>40,387,295.08</u>	<u>641,484,078.84</u>

The ageing is counted starting from the date when accounts receivable are recognised.

(3) An analysis of the movements of provisions for impairment of receivables for the year is as follows:

	The Group	
	2016	2015
	RMB	RMB
Balance at the beginning of the year	40,387,295.08	30,674,183.98
Addition during the year	36,572,974.27	12,081,916.46
Reversal during the year	(8,093,759.68)	(3,065,779.15)
Written-off during the year	(132,649.87)	(1,025.03)
Addition arising from business combination during the year	6,797.07	697,998.82
Balance at the end of the year	<u>68,740,656.87</u>	<u>40,387,295.08</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**3 Accounts receivable** (Continued)

The Company

(1) Accounts receivable by category:

	2016				2015			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Individually significant and assessed individually for impairment	240,469,625.26	81.14	33,700,304.28	14.01	181,075,872.32	72.53	14,264,922.29	7.88
Individually insignificant but assessed individually for impairment	55,876,356.14	18.86	17,036,558.15	30.49	68,566,884.74	27.47	19,780,711.17	28.65
Total	<u>296,345,981.40</u>	<u>100.00</u>	<u>50,736,862.43</u>	<u>17.12</u>	<u>249,642,757.06</u>	<u>100.00</u>	<u>34,045,633.46</u>	<u>13.64</u>

(2) The ageing analysis of accounts receivable is as follows:

As at 31 December 2016

	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	82,580,774.75	—	82,580,774.75
Over 3 months and within 6 months (inclusive)	22,500,748.00	—	22,500,748.00
Over 6 months and within 1 year (inclusive)	30,878,357.59	—	30,878,357.59
Over 1 year and within 2 years (inclusive)	54,584,608.78	—	54,584,608.78
Over 2 years and within 3 years (inclusive)	960,000.00	581,359.21	378,640.79
Over 3 years	104,841,492.28	50,155,503.22	54,685,989.06
Total	<u>296,345,981.40</u>	<u>50,736,862.43</u>	<u>245,609,118.97</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 Accounts receivable (Continued)

The Company (Continued)

(2) The ageing analysis of accounts receivable is as follows: (Continued)

As at 31 December 2015

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 3 months (inclusive)	108,712,164.17	—	108,712,164.17
Over 3 months and within 6 months (inclusive)	445,231.98	—	445,231.98
Over 6 months and within 1 year (inclusive)	24,259,810.90	—	24,259,810.90
Over 1 year and within 2 years (inclusive)	2,952,544.29	—	2,952,544.29
Over 2 years and within 3 years (inclusive)	3,836,371.92	335,225.00	3,501,146.92
Over 3 years	109,436,633.80	33,710,408.46	75,726,225.34
Total	<u>249,642,757.06</u>	<u>34,045,633.46</u>	<u>215,597,123.60</u>

The ageing is counted starting from the date when accounts receivable are recognised.

(3) An analysis of the movements of provisions for impairment of receivables for the year is as follows:

	The Company	
	2016	2015
	RMB	RMB
Balance at the beginning of the year	34,045,633.46	26,839,524.46
Addition during the year	21,918,429.97	9,612,517.00
Reversal during the year	(5,227,201.00)	(2,406,408.00)
Balance at the end of the year	<u>50,736,862.43</u>	<u>34,045,633.46</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**3 Accounts receivable** (Continued)

The Company (Continued)

- (3) An analysis of the movements of provisions for impairment of receivables for the year is as follows:
(Continued)

Before accepting new customers, the Group and the Company assessed the credit worthiness of potential clients and set corresponding credit limits according to the internal credit assessment policies. Except for the general requirement that new customers usually need to make payments in advance, the Group sets respective credit policies according to their respective market and business needs. Credit period is generally 3 months, while the credit period of major customers can be extended to 6 months. According to the past collection experiences and the debtors' financial position, the Group and Company consider no provision for impairment of receivables is required for overdue receivables, except for those with provision already made.

At 31 December 2016, accounts receivable of the Group and the Company amounting to RMB121,247,473.29 and RMB59,264,115.26 (2015: RMB47,757,945.58 and RMB34,793,344.26), respectively, were individually determined to be impaired. The individually impaired accounts receivable related to customers with poor financial performance and management assessed that only a portion of the accounts receivable is expected to be recovered. Consequently, the Group and the Company recognised provisions for bad and doubtful debts of RMB68,740,656.87 and RMB50,736,862.43 (2015: RMB40,387,295.08 and RMB34,045,633.46), respectively.

4 Prepayments

- (1) The ageing analysis of prepayments is as follows:

The Group

	2016				2015			
	Amount	Percentage (%)	Provision for impairment	Carrying amount	Amount	Percentage (%)	Provision for impairment	Carrying amount
	RMB		RMB	RMB	RMB		RMB	RMB
Within 1 year (inclusive)	224,443,923.57	31.70	—	224,443,923.57	209,287,660.11	30.47	—	209,287,660.11
Over 1 year but within 2 years (inclusive)	7,721,484.31	1.09	—	7,721,484.31	2,334,852.12	0.34	1,152,624.88	1,182,227.24
Over 2 years but within 3 years (inclusive)	899,272.78	0.13	727.80	898,544.98	927,649.43	0.13	—	927,649.43
Over 3 years	474,864,764.03	67.08	474,065,484.25	799,279.78	474,319,561.75	69.06	474,065,484.25	254,077.50
Total	707,929,444.69	100.00	474,066,212.05	233,863,232.64	686,869,723.41	100.00	475,218,109.13	211,651,614.28

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Prepayments (Continued)

(1) The ageing analysis of prepayments is as follows: (Continued)

The Company

	2016				2015			
	Carrying amount		Provision for impairment		Carrying amount		Provision for impairment	
	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Within 1 year (inclusive)	12,065,225.64	2.48	—	—	1,734,542.99	0.36	—	—
Over 1 year but within 2 years (inclusive)	2,661.68	—	—	—	153,946.50	0.03	—	—
Over 2 years but within 3 years (inclusive)	153,946.50	0.03	—	—	548,463.56	0.12	—	—
Over 3 years	474,583,447.81	97.49	474,065,484.25	517,963.56	474,065,484.25	99.49	474,065,484.25	—
Total	486,825,281.63	100.00	474,065,484.25	12,759,797.38	476,502,437.30	100.00	474,065,484.25	2,436,953.05

The ageing is counted starting from the date when prepayments are recognised.

(2) As at 31 December 2016, individually significant prepayments aged over 3 years mainly include a payment for purchase of materials of RMB 474,065,484.25. The Company has filed a lawsuit and prevailed in previous year and made full provision for the prepayment.

5 Other receivables

The Group

(1) Other receivables by category:

	2016				2015			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Individually significant and assessed individually for impairment	286,228,331.02	66.17	45,408,184.39	15.86	266,705,796.50	66.26	43,000,312.36	16.12
Individually insignificant but assessed individually for impairment	146,352,993.48	33.83	10,027,210.54	6.85	135,796,822.47	33.74	10,185,597.57	7.50
Total	432,581,324.50	100.00	55,435,394.93	12.82	402,502,618.97	100.00	53,185,909.93	13.21

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**5 Other receivables** (Continued)*The Group (Continued)*

(2) The ageing analysis of other receivables is as follows:

As at 31 December 2016

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 1 year (inclusive)	193,248,122.45	—	193,248,122.45
Over 1 year but within 2 years (inclusive)	50,399,145.08	73,893.37	50,325,251.71
Over 2 years but within 3 years (inclusive)	57,798,548.59	973,677.26	56,824,871.33
Over 3 years	131,135,508.38	54,388,824.30	76,746,684.08
Total	432,581,324.50	55,436,394.93	377,144,929.57

As at 31 December 2015

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 1 year (inclusive)	166,312,721.47	—	166,312,721.47
Over 1 year but within 2 years (inclusive)	87,471,616.29	1,838,263.92	85,633,352.37
Over 2 years but within 3 years (inclusive)	10,687,778.77	34,003.89	10,653,774.88
Over 3 years	138,030,502.44	51,313,642.12	86,716,860.32
Total	402,502,618.97	53,185,909.93	349,316,709.04

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Other receivables (Continued)

The Group (Continued)

(3) An analysis of the movements of provisions for impairment of other receivables for the year is as follows:

	The Group	
	2016 RMB	2015 RMB
Balance at the beginning of the year	53,185,909.93	50,346,913.57
Addition during the year	2,951,760.25	4,542,372.70
Reversal during the year	(1,071,834.25)	(3,256,004.46)
Written-off during the year	(723.44)	(47,052.38)
Addition arising from business combination during the year	371,282.44	1,599,680.50
Balance at the end of the year	<u>55,436,394.93</u>	<u>53,185,909.93</u>

The Company

(1) Other receivables by category:

	2016				2015			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Individually significant and assessed individually for impairment	699,697,554.89	98.86	33,755,057.43	4.82	489,328,503.67	97.18	32,384,587.67	6.62
Individually insignificant but assessed individually for impairment	8,049,875.42	1.14	2,556,314.07	31.76	14,211,748.71	2.82	2,544,964.07	17.91
Total	<u>707,747,430.31</u>	<u>100.00</u>	<u>36,311,371.50</u>	<u>5.13</u>	<u>503,540,252.38</u>	<u>100.00</u>	<u>34,929,551.74</u>	<u>6.94</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**5 Other receivables** (Continued)*The Company* (Continued)

(2) The ageing analysis of other receivables is as follows:

As at 31 December 2016

	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 1 year (inclusive)	277,334,582.79	—	277,334,582.79
Over 1 year but within 2 years (inclusive)	303,604,561.31	—	303,604,561.31
Over 2 years but within 3 years (inclusive)	25,888,741.43	—	25,888,741.43
Over 3 years	100,919,544.78	36,311,371.50	64,608,173.28
Total	<u>707,747,430.31</u>	<u>36,311,371.50</u>	<u>671,436,058.81</u>

As at 31 December 2015

	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 1 year (inclusive)	318,735,019.74	—	318,735,019.74
Over 1 year but within 2 years (inclusive)	29,194,178.88	—	29,194,178.88
Over 2 years but within 3 years (inclusive)	8,699,908.96	—	8,699,908.96
Over 3 years	146,911,144.80	34,929,551.74	111,981,593.06
Total	<u>503,540,252.38</u>	<u>34,929,551.74</u>	<u>468,610,700.64</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 Other receivables (Continued)

The Company (Continued)

(3) An analysis of the movements of provisions for impairment of other receivables for the year is as follows:

	The Company	
	2016 RMB	2015 RMB
Balance at the beginning of the year	34,929,551.74	32,912,008.87
Addition during the year	1,381,819.76	2,017,542.87
Balance at the end of the year	36,311,371.50	34,929,551.74

6 Inventories

The Group

An analysis of the movements of inventories for the year is as follows:

	Balance at the beginning of the year RMB	Additions during the year RMB	Reductions during the year RMB	Balance at the end of the year RMB
Raw materials	36,420,609.08	165,056,130.67	(174,421,866.21)	27,054,873.54
Finished goods	52,897,466.78	3,580,391,434.08	(3,528,194,090.88)	105,094,809.98
Construction contracts cost (completed but unsettled)	3,749,844.59	29,082,574.55	(28,200,308.94)	4,632,110.20
Sub-total	93,067,920.45	3,774,530,139.30	(3,730,816,266.03)	136,781,793.72
Less: Provision for impairment of inventories	—	(1,000,430.00)	—	(1,000,430.00)
Total	93,067,920.45	3,773,529,709.30	(3,730,816,266.03)	135,781,363.72

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**6 Inventories** (Continued)*The Company*

An analysis of the movements of inventories for the year is as follows:

	Balance at the beginning of the year RMB	Additions during the year RMB	Reductions during the year RMB	Balance at the end of the year RMB
Finished goods	14,206,820.48	586,049,865.21	(597,777,585.91)	2,479,099.78
Sub-total	14,206,820.48	586,049,865.21	(597,777,585.91)	2,479,099.78
Less: Provision for impairment of inventories	—	—	—	—
Total	<u>14,206,820.48</u>	<u>586,049,865.21</u>	<u>(597,777,585.91)</u>	<u>2,479,099.78</u>

7 Other current assets

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Deductable input VAT	35,163,156.32	15,332,126.96	—	867,811.37
Prepaid corporate income tax	2,090,611.76	5,173,128.03	—	—
Prepaid business tax and surcharges	1,335,866.26	1,140,288.81	—	—
Total	<u>38,589,634.34</u>	<u>21,645,543.80</u>	<u>—</u>	<u>867,811.37</u>

8 Long-term receivables

	The Group	
	2016 RMB	2015 RMB
Finance leases	12,321,930.22	19,482,586.64
Payment on behalf of third parties	31,750,652.35	29,958,503.78
Total	44,072,582.57	49,441,090.42
Less: Due within one year	(6,873,783.84)	(9,991,756.62)
Provision for bad and doubtful debts	—	—
Total	<u>37,198,798.73</u>	<u>39,449,333.80</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Long-term receivables (Continued)

An analysis of the above finance leases receivable is as follows:

	The Group	
	2016 RMB	2015 RMB
Amount due from lessees	14,015,978.75	25,356,068.67
Less: Unearned finance income	<u>(1,694,048.53)</u>	<u>(5,873,482.03)</u>
Finance leases	<u>12,321,930.22</u>	<u>19,482,586.64</u>

The total future minimum lease receipts under finance leases after the balance sheet date are as follows:

	The Group	
	2016 RMB	2015 RMB
Within 1 year (inclusive)	6,873,783.84	10,559,806.00
Over 1 year but within 2 year (inclusive)	4,293,528.56	7,488,391.63
Over 2 year but within 3 years (inclusive)	1,079,180.57	6,205,131.64
Over 3 years	<u>1,769,485.78</u>	<u>1,102,739.40</u>
Sub-total	14,015,978.75	25,356,068.67
Less: Unearned finance income	<u>(1,694,048.53)</u>	<u>(5,873,482.03)</u>
Total	<u>12,321,930.22</u>	<u>19,482,586.64</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments

	Note	The Group		The Company	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
Investments in subsidiaries	(1)	—	—	1,139,275,429.77	1,139,275,429.77
Investments in joint ventures	(2)	39,379,501.46	34,209,737.76	—	—
Investments in associates	(3)	198,227,862.40	178,530,940.43	69,431,650.50	55,507,056.93
Total		237,607,363.86	212,740,678.19	1,208,707,080.27	1,194,782,486.70

(1) As at 31 December 2016, the Company's investments in subsidiaries were as follows:

Investee	Investment cost RMB	Balance at the beginning of the year	Increase/ Decrease	Balance at the end of the year	Shareholding percentage	Voting rights percentage	Cash dividend for the year
		RMB	RMB	RMB	%	%	RMB
Guangdong Top-E Expressway Service Zone Company Limited	98,831,192.00	98,831,192.00	—	98,831,192.00	95.56	95.56	30,035,340.96
Guangdong South China Logistics Enterprise Company Limited	207,632,494.21	207,632,494.21	—	207,632,494.21	100.00	100.00	5,792,594.26
Guangdong New Way advertising Company Limited	19,800,000.00	19,800,000.00	—	19,800,000.00	60.00	60.00	1,577,555.78
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	25,319,234.10	25,319,234.10	—	25,319,234.10	62.00	62.00	—
The Motor Transport Company of Guangdong and Hong Kong Limited	120,196,428.59	120,196,428.59	—	120,196,428.59	62.00	62.00	3,573,520.04
Yueyun Transportation (HK) Company Limited	1,323,750.00	1,323,750.00	—	1,323,750.00	100.00	100.00	—
GVTG	666,172,330.87	666,172,330.87	—	666,172,330.87	100.00	100.00	—
Guangdong Province Transportation Engineering Company Limited (Note)	—	—	—	—	100.00	100.00	—
Total	1,139,275,429.77	1,139,275,429.77	—	1,139,275,429.77			40,979,011.04

Detailed information about the subsidiaries is set out in Note IV.

Note: Guangdong Province Transportation Engineering Company Limited had net liabilities at the combination date. Accordingly, the Company recognised the initial investment cost in Guangdong Province Transportation Engineering Company Limited as zero according to the Company's share of the carrying amount of its equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

2) As at 31 December 2016, the Group's investments in joint ventures were as follows:

Name of investee	Investment cost	Balance at the beginning of the year	Increase/ (Decrease)	Balance at the end of the year	Shareholding percentage (%)	Voting rights Percentage (%)	Cash dividend for the year
	RMB	RMB	RMB	RMB			RMB
(i) Material joint ventures							
Guangdong Zhong Yue Tong Oil Products Operation Company Limited ("Zhong Yue Tong")	15,000,000.00	33,582,566.25	5,283,425.29	38,865,991.54	50.00	50.00	4,500,000.00
Sub-total	15,000,000.00	33,582,566.25	5,283,425.29	38,865,991.54			4,500,000.00
(ii) Immaterial joint ventures							
Roadnet Innovalues Media (note)	1,500,000.00	113,661.59	(113,661.59)	—	50.00	50.00	—
Guangdong Province Bus Terminal Co., Ltd.	500,000.00	513,509.92	—	513,509.92	50.00	50.00	—
Sub-total	2,000,000.00	627,171.51	(113,661.59)	513,509.92			—
Total	17,000,000.00	34,209,737.76	5,169,763.70	39,379,501.46			4,500,000.00

Note: As stated in Note IV. (3), Roadnet Innovalues Media has been consolidated into the Group since 26 September 2016.

All joint ventures of the Group are non-listed companies. As at 31 December 2016, the ability to transfer fund from above joint ventures to the Group is not restricted (2015: nil).

(i) Details of the Group's material joint ventures are as follows:

Name of enterprise	Principal Place of business	Registered place	Registered capital	Shareholding percentage	Business nature	Strategic to the Group's activities?
			RMB			
Zhong Yue Tong	Guangdong China	Guangdong China	30,000,000.00	50%	Wholesale of Oil	Yes

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**9 Long-term equity investments** (Continued)

2) As at 31 December 2016, the Group's investments in joint ventures were as follows: (Continued)

(i) Details of the Group's material joint ventures are as follows:

The following table sets out the key financial information of the Group's material joint venture, adjusted for fair value adjustments at the time of acquisition and the differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investment in the joint venture when using the equity method:

	Zhong Yue Tong	
	2016	2015
	RMB	RMB
Current assets	69,906,205.05	59,161,270.68
Including: Cash and cash equivalents	60,377,530.84	51,815,196.09
Non-current assets	9,669,725.98	9,829,292.45
Total assets	79,575,931.03	68,990,563.13
Current liabilities	(1,843,947.95)	(1,825,430.63)
Total liabilities	(1,843,947.95)	(1,825,430.63)
Net assets	77,731,983.08	67,165,132.50
Group's share of net assets	38,865,991.54	33,582,566.25
Carrying amount of interests in joint venture	38,865,991.54	33,582,566.25
Operating income	110,004,583.48	105,456,222.96
Financial expenses	836,948.07	494,721.16
Income tax expense	6,399,947.15	3,716,649.27
Net profit	19,566,850.58	11,117,177.05
Other comprehensive income	—	—
Total comprehensive income	19,566,850.58	11,117,177.05

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

2) As at 31 December 2016, the Group's investments in joint ventures were as follows: (Continued)

(ii) Details of immaterial joint ventures accounted for using the equity method is summarised as follows:

	The Group	
	2016 RMB	2015 RMB
Aggregate carrying amount of investments	<u>513,509.92</u>	<u>627,171.51</u>
Aggregate amount of share of		
– Net losses	<u>(113,661.59)</u>	(439,335.44)
– Other comprehensive income	<u>—</u>	<u>—</u>
– Total comprehensive income	<u>(113,661.59)</u>	<u>(439,335.44)</u>

(3) As at 31 December 2016, the Group's investments in associates were as follows:

Investee	Balance at the		Increase/ (Decrease) RMB	Balance at the end of the year RMB	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
	Investment cost RMB	Beginning of the year RMB					
(i) Material associates							
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	35,363,492.23	10,176,390.96	45,539,883.19	25.00	25.00	—
Shenzhen Yueyun Investment Development Company Limited	48,590,602.00	47,272,715.93	456,548.99	47,729,264.92	20.00	20.00	—
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	17,019,117.00	11,228,198.50	(91,364.23)	11,136,834.27	48.00	48.00	—
Guangzhou City Tianhe Coach Terminal Co., Ltd.	2,000,000.00	15,663,407.41	1,290,895.96	16,954,303.37	20.00	20.00	2,433,240.64
Shantou City Automobile Passenger Traffic Center Co., Ltd.	25,206,264.00	28,163,063.80	(1,363,964.85)	26,799,098.95	35.00	35.00	—
CNPC Yueyun Natural Gas Co. Ltd.	12,000,000.00	15,219,969.43	1,638,549.67	16,858,519.10	24.00	24.00	1,440,000.00
Sub-total	<u>124,815,983.00</u>	<u>152,910,847.30</u>	<u>12,107,056.50</u>	<u>165,017,903.80</u>			<u>3,873,240.64</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2016, the Group's investments in associates were as follows: (Continued)

Investee	Investment cost RMB	Balance at the	Increase/ (Decrease) RMB	Balance at the	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
		Beginning of the year RMB		end of the year RMB			
(ii) Immaterial associates							
Guangdong Foda Expressway Economy Development Co., Ltd.	490,000.00	1,022,798.31	(53,846.88)	968,951.43	49.00	49.00	—
Lufeng Shenshan Expressway Company Limited	450,000.00	2,598,417.02	281,149.22	2,879,566.24	45.00	45.00	804,266.81
Express Cross-Border Coach Management Company Limited (Note 5)	41,351.00	—	56,019.73	56,019.73	23.62	23.62	—
Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd. (Note 4)	420,000.00	1,994,659.15	124,692.61	2,119,351.76	51.00	42.00	210,000.00
Jiangmen Guangjiang High Speed Passenger Traffic Co., Ltd.	420,000.00	1,149,142.73	67,649.84	1,216,792.57	42.00	42.00	210,000.00
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. (Note 3 and 5)	200,000.00	—	—	—	40.00	40.00	—
Shantou City Chaonian Yueyun Sky Island Transportation Co., Ltd. (Note 3)	800,000.00	1,700,504.88	(110,877.28)	1,589,627.60	40.00	40.00	—
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	490,000.00	295,282.91	(94,309.51)	200,973.40	49.00	49.00	—
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	6,000,000.00	7,010,589.82	1,086,717.87	8,097,307.69	30.00	30.00	300,000.00
Guangdong south passenger network center Co., Ltd. ("Nanyuetong") (Note 1)	3,600,000.00	6,000,000.00	(534,856.84)	5,465,143.16	12.00	12.00	—
Qingyuan zhongguan development Co., Ltd.	100,000.00	733,858.72	(16,720.12)	717,138.60	20.00	20.00	—
Qingyuan kuaitong Car Lease Co., Ltd. (Note 5)	800,000.00	—	—	—	40.00	40.00	—
Guangdong Guangye Shaoyun Natural Gas Co., Ltd.	3,400,000.00	3,114,839.59	(270,695.84)	2,844,143.75	34.00	34.00	—

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2016, the Group's investments in associates were as follows: (Continued)

Investee	Investment cost RMB	Balance at the	Increase/	Balance at the	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
		Beginning of the year RMB	(Decrease) RMB	end of the year RMB			
HeyuanCity Yueyun New Energy Co., Ltd.	1,000,000.00	—	586,532.27	586,532.27	20.00	20.00	—
Guangdong Wangshangfei Logistics Technology Co., Ltd.	7,200,000.00	—	5,049,948.40	5,049,948.40	48.00	48.00	—
Shaoguan Libao Technology Co., Ltd.	1,418,462.00	—	1,418,462.00	1,418,462.00	42.00	42.00	—
Sub-total	26,829,813.00	25,620,093.13	7,589,865.47	33,209,958.60			1,524,266.81
Total	151,645,796.00	178,530,940.43	19,696,921.97	198,227,862.40			5,397,507.45

As at 31 December 2016, the Company's investments in associates were as follows:

Investee	Investment cost RMB	Balance at the	Increase/	Balance at the	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
		Beginning RMB	(Decrease) RMB	end of the year RMB			
(i) Material associates							
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	35,363,492.23	10,176,390.96	45,539,883.19	25.00	25.00	—
Zhong Yue Tong (Note 2)	6,250,000.00	14,143,564.70	2,111,889.75	16,255,454.45	20.83	20.83	1,874,700.00
Sub-total	26,250,000.00	49,507,056.93	12,288,280.71	61,795,337.64			1,874,700.00
(ii) Immaterial associates							
Guangdong South Passenger Network Center (Note 1)	3,600,000.00	6,000,000.00	(534,856.84)	5,465,143.16	12.00	12.00	—
Guangdong Yueyun Development Co., Ltd.	2,600,000.00	—	2,171,169.70	2,171,169.70	20.00	20.00	—
Sub-total	6,200,000.00	6,000,000.00	1,636,312.86	7,636,312.86			—
Total	32,450,000.00	55,507,056.93	13,924,593.57	69,431,650.50			1,874,700.00

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2016, the Group's investments in associates were as follows: (Continued)

Note 1: At the end of this year, the Group and the Company held 12% equity interests in Nanyuetong. According to the shareholders' agreement, the Group and the Company have rights of participation and decision in the board of director of Nanyuetong. Consequently, the Group and the Company have significant influence to Nanyuetong.

Note 2: At the end of this year, the Company and Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, hold 20.83% and 29.17% equity interests in Zhong Yue Tong respectively. The Group holds a total of 50% equity interests in Zhong Yue Tong. Consequently, Zhong Yue Tong is a joint venture of the Group and an associate of the Company.

Note 3: The Group formerly held 40% equity interests in Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd. and Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. In 2006, GVTG, the subsidiary of the Group, further acquired 11% equity interests in each of the above companies at the considerations of RMB 110,000.00 and RMB 55,000.00 respectively. After the share transfer, the shareholding percentages in the above companies both reached 51%. According to relevant agreement, GVTG nominally increased its equity interests by 11%, while it continues to share the operating results and bears the operating risks in accordance with the original share percentage of 40%. Therefore GVTG does not have control over these companies, and these companies do not fall into the scope of consolidation of the Group.

Note 4: The Group formerly held 42% equity interests in Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd. In 2007, GVTG, the subsidiary of the Group, further acquired 9% equity interests in the company at a consideration of RMB 90,000.00. After the share transfer, the shareholding percentages in the above company reached 51%. According to relevant agreement, GVTG nominally acquired 9% equity interests, while the Group continues to share the operating results and bears the operating risks in accordance with the original share percentage of 42%. Therefore GVTG does not have control over this company, and this company does not fall into the scope of consolidation of the Group.

Note 5: The Group and the Company adopt equity method in accounting for investments in associates. The Group and the Company ceased recognising its share of losses of the associates due to excess losses of the investee. As at 31 December 2016, the unrecognised share of losses of associates is as follows:

Investee	Accumulated unrecognised share of losses at the beginning of the year	Recognised share of profits during the year	Accumulated unrecognised share of losses at the end of the year
	RMB	RMB	RMB
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	669,322.90	(371,321.47)	298,001.43
Qingyuan Kuitong Car Lease Co., Ltd.	60,213.60	(39,333.05)	20,880.55
Total	729,536.50	(410,654.52)	318,881.98

Note 6: All associates of the Group and the Company are non-listed companies. As at 31 December 2016, the ability to transfer fund from the above associates to the Group is not restricted (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2016, the Group's investments in associates were as follows: (Continued)

(i) Details of the Group's material associates are as follows:

The Group

Name of associates	Principal place of business	Registered place	Registered capital RMB	Shareholding percentage	Business nature	Strategic to the Group's activities?
Southern United Assets and Equity Exchange Company Limited	Guangdong China	Guangdong China	80,000,000.00	25%	Property Exchange	Yes
Shenzhen Yueyun Investment Development Company Limited	Guangdong China	Guangdong China	30,000,000.00	20%	Passenger Terminal	Yes
Guangdong Province Shenshan High Speed Passenger Co., Ltd.	Guangdong China	Guangdong China	10,000,000.00	48%	Transportation	Yes
Guangzhou City Tianhe Coach Terminal Co., Ltd.	Guangdong China	Guangdong China	10,000,000.00	20%	Station Services	Yes
Shantou City Automobile Terminal Co., Ltd.	Guangdong China	Guangdong China	7,575,000.00	35%	Station Operation	Yes
CNPC Yueyun Natural Gas Co. Ltd.	Guangdong China	Guangdong China	50,000,000.00	24%	Gas Wholesale and Retail	Yes

The Company

The material associates of the Company include Southern United Assets and Equity Exchange Company Limited and Zhong Yue Tong. Detailed information of Southern United Assets and Equity Exchange Company Limited. is set out below, and detailed information of Zhong Yue Tong is set out in note V. 9(2) (i).

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2016, the Group's investments in associates were as follows: (Continued)

(i) Details of the Group's material associates are as follows: (Continued)

	Southern United Assets and Equity Exchange Company Limited		Shenzhen Yueyun Investment Development Company Limited		Guangdong Province Shenzhen High Speed Passenger Co., Ltd.		Guangzhou City Tianhe Coach Terminal Co., Ltd.		Shantou City Automobile Terminal Co., Ltd.		CNPC Yueyun Natural Gas Co., Ltd.		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Current assets	133,273,784.76	83,592,185.69	4,341,351.97	7,060,663.85	26,124,602.92	26,165,515.40	94,154,932.71	78,211,053.83	3,151,176.53	5,197,054.42	62,901,671.03	53,193,146.39	323,968,434.40	253,314,937.10
Non-current assets	71,719,855.11	74,670,527.29	253,655,282.31	259,763,215.31	353,287.59	124,622.24	111,501,814.87	102,279,091.00	83,325,825.81	83,693,594.20	24,482,759.99	28,420,193.76	544,821,160.33	555,179,995.15
Total assets	204,993,639.87	158,262,712.98	257,997,634.28	266,824,179.16	26,477,870.51	26,290,137.64	205,656,747.58	180,490,144.83	86,477,002.34	88,890,648.62	87,384,431.02	81,559,346.15	668,889,594.73	808,494,932.25
Current liabilities	(17,284,107.11)	(11,208,744.06)	(10,551,309.68)	(29,260,599.51)	(3,085,790.30)	(3,088,399.57)	(20,885,201.75)	(108,173,107.79)	(17,807,557.07)	(19,973,800.82)	(171,501,601.45)	(18,142,806.87)	(186,517,205.63)	(189,394,409.35)
Non-current liabilities	(5,500,000.00)	(5,500,000.00)	(8,800,000.00)	(1,200,000.00)	—	—	—	—	(1,185.01)	(2,279.05)	—	—	(14,301,185.01)	(6,702,279.05)
Total liabilities	(22,834,107.11)	(16,708,744.06)	(19,351,309.68)	(30,460,599.51)	(3,085,790.30)	(3,088,399.57)	(20,885,201.75)	(108,173,107.79)	(17,808,742.08)	(19,975,639.87)	(171,501,601.45)	(18,142,806.87)	(200,918,390.64)	(196,036,688.40)
Net assets	182,159,532.76	141,553,968.92	238,646,324.60	236,363,579.65	23,392,080.21	23,201,738.07	84,771,545.83	73,317,037.04	68,669,252.26	68,915,038.75	70,245,829.57	63,416,539.28	667,961,204.09	611,859,219.95
Group's share of net assets	45,539,883.19	35,363,492.23	47,729,264.92	47,272,715.93	11,336,834.27	11,136,834.27	16,954,303.37	15,668,407.41	24,103,891.79	24,120,253.06	16,858,519.10	15,219,969.43	162,322,656.64	148,888,036.56
Add: Debt difference of long-term equity investments	—	—	—	—	—	—	—	—	2,855,207.16	4,042,810.74	—	—	2,855,207.16	4,042,810.74
Carrying amount of interests in associates	45,539,883.19	35,363,492.23	47,729,264.92	47,272,715.93	11,336,834.27	11,136,834.27	16,954,303.37	15,668,407.41	26,959,098.95	28,163,063.80	16,858,519.10	15,219,969.43	165,017,863.80	152,910,847.30
Operating income	96,148,697.33	43,720,000.00	28,459,656.16	28,341,492.79	—	—	—	—	7,897,345.66	3,634,421.18	104,577,294.59	141,222,474.91	236,862,533.74	216,918,679.88
Net profit/(loss)	44,563,768.34	16,820,000.00	2,282,744.97	933,864.85	(190,342.14)	(190,342.14)	16,620,892.99	19,141,428.99	(467,465.51)	(316,183.57)	12,827,290.30	11,089,241.92	71,361,895.01	45,712,150.61
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	44,563,768.34	16,820,000.00	2,282,744.97	933,864.85	(190,342.14)	(190,342.14)	16,620,892.99	19,141,428.99	(467,465.51)	(316,183.57)	12,827,290.30	11,089,241.92	71,361,895.01	45,712,150.61
Dividends received from associates for the year	—	5,000,000.00	—	—	—	—	2,433,240.64	10,747,935.21	—	—	1,440,000.00	672,000.00	3,873,240.64	16,419,935.21

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2016, the Group's investments in associates were as follows: (Continued)

(ii) Details of immaterial associates accounted for using the equity method are summarised as follows:

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Aggregate carrying amount of investments	33,209,958.60	25,620,093.13	7,636,312.86	6,000,000.00
Aggregate amount of share of				
– Net (losses)/profit	(504,329.72)	2,148,660.62	(963,687.14)	—
– Other comprehensive income	—	—	—	—
– Total comprehensive income	(504,329.72)	2,148,660.62	(963,687.14)	—

10 Available-for-sale financial assets

	Note	The Group		The Company	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
Available-for-sale equity instruments					
– At cost	(1)	563,228.22	563,228.22	777,412.45	777,412.45
Total		563,228.22	563,228.22	777,412.45	777,412.45

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**10 Available-for-sale financial assets**

(1) Available-for-sale financial assets at cost (Continued)

As at 31 December 2016, an analysis of available-for-sale financial assets measured at cost by the Group is as follows:

	2016	2015
	RMB	RMB
Guangdong Southern Container Transportation Joint Company (Note 2)	1,268,476.29	1,268,476.29
Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. (Note 1)	308,228.22	308,228.22
Puning City Yueyun Development Co., Ltd. (Note 1)	255,000.00	255,000.00
Huadu Jindaoda Expressway Economic Development Company Limited (Note 2)	80,000.00	80,000.00
Sub-total	1,911,704.51	1,911,704.51
Less: Provision for impairment (Note 2)	(1,348,476.29)	(1,348,476.29)
Total	563,228.22	563,228.22

Note 1: GVTG holds 51% equity interests in Puning City Yueyun Development Co., Ltd. and Guangdong Yueyun Langri Co., Ltd. holds 30% equity interests in Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. As the operations of these investees are contracted by other parties or individuals, GVTG and Guangdong Yueyun Langri Co., Ltd. do not have control over these companies. Hence, these companies do not fall into the scope of consolidation of the Group.

Note 2: Guangdong Southern Container Transportation Joint Company has ceased operation, while it is yet to complete the liquidation procedures, hence the Group made full provision for investment in it in 2004. Since Huadu Jindaoda Expressway Economic Development Company Limited suffered loss for years, full provision for investment in it had been made in previous year.

As at 31 December 2016, an analysis of available-for-sale financial assets measured at cost by the Company is as follows:

	2016	2015
	RMB	RMB
Guangdong Jindaoda Expressway Economic Development Company Limited ("Jindaoda")	777,412.45	777,412.45

At the end of the year, The Company and Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, holds 5% and 95% equity interests of Jindaoda respectively, and the Group holds 100% equity interests in total. Accordingly, Jindaoda is the subsidiary of the Group. The Company measured the equity interests based on financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 Investment properties

The Group

	Buildings RMB	Land use rights RMB	Total RMB
Cost			
Balance at 1 January 2015	134,841,845.40	34,884,881.97	169,726,727.37
Additions during the year	6,889,486.19	8,073,509.83	14,962,996.02
Additions arising from business combinations not under common control during the year	9,850,693.16	11,005,473.65	20,856,166.81
Decrease during the year	<u>(10,110,630.74)</u>	<u>(4,579,027.15)</u>	<u>(14,689,657.89)</u>
Balance at 31 December 2015	141,471,394.01	49,384,838.30	190,856,232.31
Additions during the year	3,200,914.22	1,071,909.10	4,272,823.32
Decrease during the year	<u>(18,821,669.71)</u>	<u>—</u>	<u>(18,821,669.71)</u>
Balance at 31 December 2016	<u>125,850,638.52</u>	<u>50,456,747.40</u>	<u>176,307,385.92</u>
Accumulated depreciation or amortisation			
Balance at 1 January 2015	(13,273,883.18)	(3,758,872.24)	(17,032,755.42)
Additions during the year	(4,735,920.31)	(1,856,657.18)	(6,592,577.49)
Decrease during the year	<u>6,345,831.77</u>	<u>1,594,909.81</u>	<u>7,940,741.58</u>
Balance at 31 December 2015	(11,663,971.72)	(4,020,619.61)	(15,684,591.33)
Additions during the year	(5,765,673.76)	(1,642,873.88)	(7,408,547.64)
Decrease during the year	<u>5,309,476.53</u>	<u>—</u>	<u>5,309,476.53</u>
Balance at 31 December 2016	<u>(12,120,168.95)</u>	<u>(5,663,493.49)</u>	<u>(17,783,662.44)</u>
Carrying amounts			
As at 31 December 2016	<u>113,730,469.57</u>	<u>44,793,253.91</u>	<u>158,523,723.48</u>
As at 31 December 2015	<u>129,807,422.29</u>	<u>45,364,218.69</u>	<u>175,171,640.98</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**11 Investment properties** (Continued)*The Group (Continued)*

Note1: The increase in cost for the current year included transfer from self-owned properties to investment properties of RMB2,651,769.07 and translation differences of financial statements denominated in foreign currency of RMB1,621,054.25. The decrease in cost included disposal of RMB416,000.00 and the transfer from investment properties to self-owned properties of RMB18,405,669.71.

Note2: The increase in accumulated depreciation and amortisation for the current year included depreciation and amortisation charges of RMB 5,639,148.62, transfer from self-owned properties to investment properties of RMB 887,630.87 and translation differences of financial statements denominated in foreign currency of RMB 881,768.15. The decrease in accumulated depreciation and amortisation was due to disposal of RMB 128,276.79 and transfer from investment properties to self-owned properties of RMB 5,181,199.74.

Note3: The remaining period of amortisation of land use rights is 15 to 66 years.

Note4: As at 31 December 2016, there were no investment properties that were pledged for short-term bank loans. (31 December 2015: RMB1,847,361.44).

12 Fixed assets*The Group*

	Buildings	Building improvements	Machinery and equipment	Electronic equipment, office equipment and others	Transportation vehicles	Pier	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Cost							
Balance as at 1 January 2015	707,024,293.77	112,891,302.58	107,822,068.27	181,651,351.46	1,822,332,279.20	84,145,939.93	3,015,867,235.21
Additions during the year	13,535,700.59	—	3,449,745.06	19,537,046.77	464,540,394.55	—	501,062,886.97
Transfer from construction in progress	88,289,217.96	1,246,968.24	5,832,489.74	11,325,992.33	162,597,911.03	6,482,521.95	275,775,101.25
Additions arising from business combinations not under common control	30,598,728.23	—	348,866.14	205,601.16	23,106,550.02	—	54,259,745.55
Disposals during the year	(46,358,169.22)	—	(2,556,990.73)	(14,760,335.64)	(143,536,090.43)	—	(207,211,586.02)
Balance as at 31 December 2015	793,089,771.33	114,138,270.82	114,896,178.48	197,959,656.08	2,329,041,044.37	90,628,461.88	3,639,753,382.96
Additions during the year	59,084,031.44	—	5,520,028.39	45,246,310.52	202,702,789.50	—	312,553,159.85
Transfer from construction in progress	69,309,897.10	5,681,693.72	5,159,674.41	8,354,857.59	216,229,696.15	—	304,735,818.97
Additions arising from business combinations not under common control	4,572,457.78	—	41,629.63	2,346,284.11	2,461,827.91	—	9,422,199.43
Disposals during the year	(21,001,545.41)	—	(1,154,297.24)	(8,536,491.88)	(105,175,280.97)	—	(135,867,615.50)
Balance as at 31 December 2016	905,054,612.24	119,819,964.54	124,463,213.67	245,370,616.42	2,645,260,076.96	90,628,461.88	4,130,596,945.71

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Fixed assets (Continued)

The Group (Continued)

	Buildings	Building improvements	Machinery and equipment	Electronic equipment, office equipment and others	Transportation vehicles	Pier	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Accumulated depreciation							
Balance as at 1 January 2015	(147,675,482.78)	(91,002,219.89)	(48,558,363.46)	(112,733,744.88)	(870,693,195.98)	(5,387,936.68)	(1,276,060,943.67)
Charge for the year	(27,023,563.61)	(3,635,726.31)	(7,190,239.98)	(35,627,875.10)	(278,644,204.70)	(2,405,179.83)	(364,526,789.53)
Written off on disposal	5,736,935.49	—	2,428,794.78	10,980,793.21	112,355,182.70	—	131,501,706.18
Balance as at 31 December 2015	(168,962,110.90)	(94,637,946.20)	(53,319,808.66)	(137,380,826.77)	(1,036,982,217.98)	(7,793,116.51)	(1,499,076,027.02)
Charge for the year	(50,718,036.73)	(4,867,321.03)	(7,910,895.28)	(31,760,641.50)	(335,093,020.92)	(2,543,718.45)	(432,893,633.91)
Written off on disposal	4,358,468.51	—	874,642.99	5,410,864.46	88,799,217.85	—	99,443,193.81
Balance as at 31 December 2016	(215,321,679.12)	(99,505,267.23)	(60,356,060.95)	(163,730,603.81)	(1,283,276,021.05)	(10,336,834.96)	(1,832,526,467.12)
Provision for impairment							
Balance as at 1 January 2015, 31 December 2015 and 31 December 2016	—	—	(875,852.00)	—	—	—	(875,852.00)
Carrying amounts							
As at 31 December 2016	689,732,933.12	20,314,697.31	63,231,300.72	81,640,012.61	1,361,984,055.91	80,291,626.92	2,297,194,626.59
As at 31 December 2015	624,127,660.43	19,500,324.62	60,700,517.82	60,578,829.31	1,292,058,826.39	82,835,345.37	2,139,801,503.94

As at 31 December 2016, the original costs of fixed assets that are fully depreciated but are still in use were RMB 888,714,423.27 (31 December 2015: RMB 664,020,690.76).

As at 31 December 2016, fixed assets with carrying amount of RMB239,508,460.95 (31 December 2015: RMB202,384,006.22) were pledged for bank loans, among which, RMB238,127,493.06 were pledged for long-term loans and RMB1,380,967.89 were pledged for short-term loans. As at 31 December 2016, there are no other restricted fixed assets than those pledged for bank loans.

As at 31 December 2016, the carrying amount of buildings without certificate or title of which had not been officially transferred in the Group was RMB188,407,478.76 (31 December 2015: RMB147,707,859.22).

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**12 Fixed assets** (Continued)*The Group (Continued)*

The fixed assets acquired under finance leases as at 31 December 2016 were as follows:

	Transportation vehicles RMB
At the end of the year	
Cost	100,731,561.88
Less: Accumulated depreciation	<u>(16,564,719.88)</u>
Net book value	<u><u>84,166,842.00</u></u>
At the beginning of the year	
Cost	12,825,810.00
Less: Accumulated depreciation	<u>(6,738,292.09)</u>
Net book value	<u><u>6,087,517.91</u></u>

As at 31 December 2016, fixed assets with carrying amount of RMB41,922,527.24 (2015: RMB21,572,864.57) were leased out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 Fixed assets (Continued)

The Company

	Transportation vehicles RMB	Electronic equipment office equipment and others RMB	Buildings RMB	Total RMB
Cost				
Balances as at 1 January 2015	15,717,429.66	9,499,756.65	—	25,217,186.31
Additions during the year	—	200,372.08	3,424,779.00	3,625,151.08
Disposals during the year	(4,886,572.00)	(20,341.03)	—	(4,906,913.03)
Balances as at 31 December 2015	10,830,857.66	9,679,787.70	3,424,779.00	23,935,424.36
Additions during the year	416,736.76	183,928.41	—	600,665.17
Disposals during the year	(675,581.00)	—	—	(675,581.00)
Balances as at 31 December 2016	10,572,013.42	9,863,716.11	3,424,779.00	23,860,508.53
Accumulated depreciation				
Balances as at 1 January 2015	(14,858,760.99)	(6,256,131.68)	—	(21,114,892.67)
Charge for the year	(162,747.28)	(753,024.05)	—	(915,771.33)
Written off on disposal	4,698,866.84	19,323.98	—	4,718,190.82
Balances as at 31 December 2015	(10,322,641.43)	(6,989,831.75)	—	(17,312,473.18)
Charge for the year	(115,193.40)	(684,209.26)	(162,677.04)	(962,079.70)
Written off on disposal	641,801.95	—	—	641,801.95
Balances as at 31 December 2016	(9,796,032.88)	(7,674,041.01)	(162,677.04)	(17,632,750.93)
Carrying amount				
As at 31 December 2016	775,980.54	2,189,675.10	3,262,101.96	6,227,757.60
As at 31 December 2015	508,216.23	2,689,955.95	3,424,779.00	6,622,951.18

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**12 Fixed assets** (Continued)*The Company* (Continued)

As at 31 December 2016, the original costs of fixed assets that are fully depreciated but are still in use were RMB16,020,423.93 (31 December 2015: RMB14,832,186.77).

As at 31 December 2016, the Company had no restricted fixed assets (31 December 2015: Nil) and had no buildings without certificate or title of which had not been officially transferred in the Company (31 December 2015: Nil).

As at 31 December 2016, the Company had no fixed asset acquired under finance lease (31 December 2015: Nil) and no fixed asset leased out under operating lease (31 December 2015: Nil).

13 Construction in progress

	The Group	The Company
	RMB	RMB
Cost		
Balance as at 1 January 2015	173,068,272.49	241,523.95
Additions during the year	297,032,468.16	258,448.30
Transfer to fixed assets	(275,775,101.25)	—
Other decrease	(6,463,414.41)	(499,972.25)
	<u>187,862,224.99</u>	<u>—</u>
Balance as at 31 December 2015	187,862,224.99	—
Additions during the year	327,701,359.46	—
Transfer to fixed assets	(304,735,818.97)	—
Other decrease	(4,201,435.66)	—
	<u>206,626,329.82</u>	<u>—</u>
Balance as at 31 December 2016	206,626,329.82	—
Provision for impairment		
Balance as at 1 January 2015,		
31 December 2015 and 31 December 2016	(451,957.10)	—
	<u>—</u>	<u>—</u>
Carrying amount		
As at 31 December 2016	<u>206,174,372.72</u>	<u>—</u>
As at 31 December 2015	<u>187,410,267.89</u>	<u>—</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**13 Construction in progress** (Continued)

Top ten items of construction in progress of the Group as at 31 December 2016 are outlined below:

	Balances at the beginning of the year RMB	Additions during the year RMB	Transfer to fixed assets RMB	Balances at the end of of the year RMB
Construction of Chengnan Station	74,154,070.46	31,826,130.47	—	105,980,200.93
Reconstruction project of “Three Old”	14,878,562.56	—	—	14,878,562.56
Zengcheng passenger traffic station	14,288,298.99	—	—	14,288,298.99
Construction of self-owned service building	5,333,833.37	13,596,077.35	(5,681,693.72)	13,248,217.00
Renovation of parking-lot	6,956,448.73	3,259,487.83	(939,991.86)	9,275,944.70
Construction of new station	6,057,993.87	1,528,081.97	—	7,586,075.84
Purchase of vehicles	42,106,701.55	178,632,643.37	(215,541,667.14)	5,197,677.78
Digital Media Project	—	3,432,864.14	—	3,432,864.14
Reconstruction project of Huai Ji	1,646,906.30	910,455.94	(860,455.94)	1,696,906.30
Reconstruction of Plant in Shaoguan East Station	—	1,303,985.04	—	1,303,985.04
Total	<u>165,422,815.83</u>	<u>234,489,726.11</u>	<u>(223,023,808.66)</u>	<u>176,888,733.28</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Intangible assets

The Group

	Land use rights	Joint operation	Computer software	Coastline use rights	Passenger	Station and toll	Line license use	Trademark rights	Total
	RMB	earning rights	operating rights	service licenses	bridge franchise	rights and route	and others	RMB	RMB
		RMB	RMB	RMB	operating rights	operation rights	RMB	RMB	RMB
Cost:									
Balances as at 1 January 2015	569,693,409.87	—	21,830,546.93	7,110,000.00	386,018,236.04	133,279,985.25	3,545,900.00	1,126,987,664.39	
Additions during the year	5,564,036.63	42,747,190.60	6,553,653.30	—	1,460,160.22	21,755,437.77	130,000.00	89,560,011.40	
Additions arising from business combination not under common control	88,817,104.62	—	—	—	—	378,924.80	—	89,196,029.42	
Foreign currency financial statement translation differences	2,134,911.29	—	—	—	—	—	—	2,818,117.31	
Transferred to investment properties	(7,787,811.81)	—	—	—	—	—	—	(7,787,811.81)	
Disposals during the year	—	—	(14,002.08)	—	—	—	—	(14,002.08)	
Balances as at 31 December 2015	659,411,650.60	42,747,190.60	28,370,188.15	7,110,000.00	387,478,456.26	155,414,347.82	3,675,900.00	1,300,770,006.63	
Additions during the year	62,424,082.37	—	2,821,842.05	—	—	19,548,995.33	640,479.48	85,435,379.23	
Foreign currency financial statement translation differences	2,450,466.16	—	—	—	—	—	—	3,639,241.60	
Disposals during the year	(794,400.00)	—	(381,102.56)	—	—	—	—	(1,175,502.56)	
Balances as at 31 December 2016	722,491,779.13	42,747,190.60	30,810,937.64	7,110,000.00	387,478,456.26	174,963,343.15	4,316,379.48	1,368,689,126.90	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Intangible assets (Continued)

The Group (Continued)

	Land use rights	Joint operation	Computer software	Coastline use rights	Passenger	Station and toll	Line license use	Trademark rights	Total
	RMB	earning rights	service	service	service licenses	bridge franchise	rights and route	and others	RMB
		RMB	RMB	RMB	RMB	operating rights	operation rights	RMB	RMB
Accumulated amortisation									
Balances as at 1 January 2015	(65,263,774.87)	—	(13,528,644.74)	(1,665,605.00)	—	(176,284,619.51)	(49,165,137.36)	(364,552.60)	(306,272,334.08)
Charge for the year	(16,537,636.69)	(3,901,780.17)	(4,666,333.61)	(155,266.20)	—	(18,134,669.44)	(11,379,886.74)	(280,973.31)	(55,056,546.16)
Foreign currency financial statement translation differences	(614,081.48)	—	—	—	—	—	—	—	(614,081.48)
Transferred to investment properties	481,887.90	—	—	—	—	—	—	—	481,887.90
Written off on disposal	—	—	14,002.08	—	—	—	—	—	14,002.08
Balances as at 31 December 2015	(81,933,005.14)	(3,901,780.17)	(18,180,976.27)	(1,820,871.20)	—	(194,419,289.95)	(60,545,024.10)	(645,525.91)	(361,447,071.74)
Charge for the year	(16,033,289.15)	(3,901,780.17)	(3,263,590.33)	(155,266.20)	—	(18,127,980.37)	(15,557,720.55)	(231,629.10)	(57,271,265.87)
Foreign currency financial statement translation differences	(757,717.97)	—	—	—	—	—	—	—	(757,717.97)
Written off on disposal	218,181.35	—	51,153.94	—	—	—	—	—	269,335.29
Balances as at 31 December 2016	(98,506,440.91)	(7,803,560.34)	(21,399,412.66)	(1,976,137.40)	—	(212,547,269.32)	(76,102,744.65)	(877,155.01)	(419,206,720.29)
Carrying amount									
As at 31 December 2016	623,965,336.22	34,943,630.26	9,417,524.96	5,133,862.60	18,751,040.64	174,931,166.94	98,860,598.50	3,439,224.47	969,462,406.61
As at 31 December 2015	576,478,045.46	38,845,410.43	10,189,221.88	5,289,128.80	17,562,265.20	193,059,167.31	94,869,323.72	3,030,374.09	939,322,956.89

V. NOTES TO THE FINANCIAL STATEMENTS *(Continued)***14 Intangible assets** *(Continued)**The Group (Continued)*

As at 31 December 2016, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB125,263,221.82 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Company as mentioned in Note V. 32 (31 December 2015: RMB142,174,375.66). In addition, intangible assets with carrying amount of RMB126,497,026.67 (31 December 2015: RMB78,270,052.85) were pledged for bank loans, among which, RMB121,078,856.75 were pledged for long-term loans and RMB 5,418,169.92 were pledged for short-term loans. As at 31 December 2016, there was no other restricted intangible assets of the Group.

As at 31 December 2016, the carrying amount of land use rights without certificate of title for the Group was RMB43,704,142.84 (31 December 2015: RMB3,900,107.80).

As at 31 December 2016, land use rights with original costs of RMB37,026,553.56 (31 December 2015: RMB36,761,641.08) were obtained through allocation. As the certificates of title did not stipulate useful life, these land use rights had not been amortised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Intangible assets (Continued)

The Company

	Computer Software RMB	Toll bridge franchise operating rights RMB	Total RMB
Cost			
Balances as at 1 January 2015	23,433,537.81	334,103,442.14	357,536,979.95
Additions during the year	<u>245,283.02</u>	<u>—</u>	<u>245,283.02</u>
Balances as at 31 December 2015, 31 December 2016	<u>23,678,820.83</u>	<u>334,103,442.14</u>	<u>357,782,262.97</u>
Accumulated amortisation			
Balances as at 1 January 2015	(18,414,380.93)	(175,017,912.64)	(193,432,293.57)
Charges for the year	<u>(3,460,304.91)</u>	<u>(16,911,153.84)</u>	<u>(20,371,458.75)</u>
Balances as at 31 December 2015	(21,874,685.84)	(191,929,066.48)	(213,803,752.32)
Charges for the year	<u>(1,407,255.43)</u>	<u>(16,911,153.84)</u>	<u>(18,318,409.27)</u>
Balances as at 31 December 2016	<u>(23,281,941.27)</u>	<u>(208,840,220.32)</u>	<u>(232,122,161.59)</u>
Carrying amount			
As at 31 December 2016	<u>396,879.56</u>	<u>125,263,221.82</u>	<u>125,660,101.38</u>
As at 31 December 2015	<u>1,804,134.99</u>	<u>142,174,375.66</u>	<u>143,978,510.65</u>

As at 31 December 2016, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB 125,263,221.82 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Company as mentioned in Note V. 32 (31 December 2015: RMB142,174,375.66). As at 31 December 2016, there was no other restricted intangible assets of the Company (31 December 2015: Nil).

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 Goodwill

2016

Name of investee from which goodwill arising	Balance as At 1 January 2016 RMB	Additions during the year RMB	Balance as at 31 December 2016 RMB
Heyuan City Yueyun Motor Transportation Co., Ltd.	28,559,728.57	—	28,559,728.57
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	23,391,155.86	—	23,391,155.86
Guangdong Yueyun Langri Co., Ltd.	23,198,978.67	—	23,198,978.67
Yangjiang City Yangzha New Image Public Transportation Company Limited	5,416,461.97	—	5,416,461.97
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	2,100,000.00	—	2,100,000.00
Qingyuan City Qingxin Zone Yueyun Motor Transportation Co., Ltd.	—	12,010,932.57	12,010,932.57
Other	1,930,966.69	—	1,930,966.69
Total	84,597,291.76	12,010,932.57	96,608,224.33

2015

Name of investee from which goodwill arising	Balance at the beginning and the end of the year RMB
Heyuan City Yueyun Motor Transportation Co., Ltd.	28,559,728.57
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	23,391,155.86
Guangdong Yueyun Langri Co., Ltd.	23,198,978.67
Yangjiang City Yangzha New Image Public Transportation Company Limited	5,416,461.97
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	2,100,000.00
Other	1,930,966.69
Total	84,597,291.76

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**15 Goodwill** (Continued)

For the purpose of impairment testing, the Group, taking the above subsidiaries as separate asset groups, allocates the goodwill to such asset groups for impairment testing. The Group estimates the recoverable amount of each asset group individually based on the present value of expected future cash flow of such asset groups on the assumption of going concern in light of the operating characteristics of such asset groups. Cash flow projections are based on the financial budget covering of five-year period forecasted by the management and the assumption that the growth rate of cash flow beyond five-year period is zero. The adopted discount rate is 10.5%. Other key assumptions used in estimating future cash flow include the past performance of such asset groups and the management's expectation of market development. The management considers that the reasonable changes in above assumptions would not result in carrying amount in excess of the recoverable amount, therefore there is no impairment on goodwill.

16 Long-term deferred expenses

	The Group			
	Balance at the	Additions	Decrease	Balance
	beginning	during	during	at the end
	of the year	the year	the year	of the year
	RMB	RMB	RMB	RMB
Long term asset rental expenses	4,011,687.18	—	(131,180.08)	3,880,507.10
Renovation of station auxiliary facilities	7,725,640.84	4,167,409.66	(2,071,998.66)	9,821,051.84
Decoration design fee of Yueyun Building	4,589,021.90	247,000.00	(4,581,485.27)	254,536.63
Decoration expenses for Jiaotong Hotel	2,301,188.73	—	(420,593.53)	1,880,595.20
Litong building office decoration	7,756,056.69	—	(315,107.16)	7,440,949.53
In-vehicle multimedia systems	1,262,592.16	1,208,588.37	(472,754.61)	1,998,425.92
Route license use rights and others	6,772,352.27	7,146,423.45	(6,843,579.07)	7,075,196.65
Sub-total	34,418,539.77	12,769,421.48	(14,836,698.38)	32,351,262.87
Less: Provision for impairment				
Litong building office decoration	(7,162,543.22)	—	—	(7,162,543.22)
Total	27,255,996.55	12,769,421.48	(14,836,698.38)	25,188,719.65

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**16 Long-term deferred expenses** (Continued)

	The Company			
	Balance at the beginning of the year RMB	Additions during the year RMB	Decrease during the year RMB	Balance at the end of the year RMB
Prepaid lease expense in respect of land use right of Taiping interchange	3,502,132.94	116,936.20	(605,959.00)	3,013,110.14
Litong building office decoration	7,756,056.69	—	(315,107.16)	7,440,949.53
Decoration design fee of Yueyun Building	4,589,021.90	247,000.00	(4,581,485.27)	254,536.63
Others	1,682,362.48	—	(472,868.20)	1,209,494.28
Sub-total	17,529,574.01	363,936.20	(5,975,419.63)	11,918,090.58
Less: Provision for impairment				
Litong building office decoration	(7,162,543.22)	—	—	(7,162,543.22)
Total	10,367,030.79	363,936.20	(5,975,419.63)	4,755,547.36

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Deferred tax assets and deferred tax liabilities

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows:

The Group

	Amount of temporary differences at the beginning of the year	Balances at the beginning of the year	Deferred tax assets (liabilities)		Balances at the end of the year	Amount of temporary differences at the end of the year
			Current year increase/ (decrease) charge to profit or loss	Other changes during the year		
	RMB	RMB	RMB	RMB	RMB	RMB
Deferred tax assets:						
Provision for bad and doubtful debts	543,026,141.24	135,756,535.31	6,982,529.70	—	142,739,065.01	570,956,260.04
Including:Accounts receivable	35,042,512.36	8,760,628.09	8,008,656.79	—	16,769,284.88	67,077,139.52
Prepayments	468,811,669.00	117,202,917.25	(143,315.98)	—	117,059,601.27	468,238,405.08
Other receivables	39,171,959.88	9,792,989.97	(882,811.11)	—	8,910,178.86	35,640,715.44
Accrued Expenses	83,689,545.72	20,922,386.43	(5,749,330.17)	—	15,173,056.26	60,692,225.04
Employee benefits payable	38,711,633.28	9,677,908.32	518,708.38	—	10,196,616.70	40,786,466.80
Amortisation of intangible assets	13,153,383.60	3,288,345.90	31,118.02	—	3,319,463.92	13,277,855.68
Unrealised profits arising from transactions within the Group	9,081,761.80	2,270,440.45	1,096,271.50	—	3,366,711.95	13,466,847.80
Long-term payables	7,337,180.44	1,834,295.11	581,570.34	—	2,415,865.45	9,663,461.80
Deductible tax losses	4,412,425.68	1,103,106.42	5,021,490.67	—	6,124,597.09	24,498,388.36
Provision for impairment against non-current assets	9,290,352.36	2,322,588.09	557,637.50	—	2,880,225.59	11,520,902.36
Deferred revenue	38,706,661.04	9,676,665.26	(198,898.86)	—	9,477,766.40	37,911,065.60
Others	12,243,672.72	3,060,918.18	(350,457.32)	(196,122.04)	2,514,338.82	10,057,355.28
Sub-total	759,652,757.88	189,913,189.47	8,490,639.76	(196,122.04)	198,207,707.19	792,830,828.76
Amount of offsetting	(9,801,200.96)	(2,450,300.24)			(3,834,398.93)	(15,337,595.72)
Balance after offsetting	749,851,556.92	187,462,889.23			194,373,308.26	777,493,233.04

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Deferred tax assets and deferred tax liabilities (Continued)

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows: (Continued)

The Group (Continued)

	Amount of temporary differences		Deferred tax assets (liabilities)		Amount of temporary differences	
	at the beginning of the year	Balances at the beginning of the year	Current year increase/ (decrease) charge to profit or loss	Current year increase change to equity	Balances at the end of the year	at the end of the year
	RMB	RMB	RMB	RMB	RMB	RMB
Deferred tax liabilities:						
Assets appraisal appreciation	(110,149,348.52)	(27,537,337.13)	274,011.06	257,313.68	(27,006,012.39)	(108,024,049.56)
Debit difference of long-term equity investments	(19,294,018.28)	(4,823,504.57)	114,845.35	—	(4,708,659.22)	(18,834,636.88)
Investment income	(11,368,348.88)	(2,842,087.22)	(527,500.61)	—	(3,369,587.83)	(13,478,351.32)
Depreciation of fixed assets	(2,609,551.04)	(652,387.76)	(841,525.58)	6,837.26	(1,487,076.08)	(5,948,304.32)
Sub-total	(143,421,266.72)	(35,855,316.68)	(980,169.78)	264,150.94	(36,571,335.52)	(146,285,342.08)
Amount of offsetting	9,801,200.96	2,450,300.24			3,834,398.93	15,337,595.72
Balance after offsetting	(133,620,065.76)	(33,405,016.44)			(32,736,936.59)	(130,947,746.36)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Deferred tax assets and deferred tax liabilities (Continued)

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows: (Continued)

The Company

	Amount of temporary differences at the beginning of the year RMB	Deferred tax assets			Amount of temporary differences at the end of the year RMB
		Balances at the beginning of the year RMB	Current year Increase charge to profit or loss RMB	Balances at the end of the year RMB	
Deferred tax assets:					
Provision for bad and doubtful debts	530,786,717.72	132,696,679.43	4,518,262.18	137,214,941.61	548,859,766.44
Including: Accounts					
receivable	32,355,760.76	8,088,940.19	4,172,807.24	12,261,747.43	49,046,989.73
Prepayments	468,238,405.08	117,059,601.27	—	117,059,601.27	468,238,405.08
Other receivables	30,192,551.88	7,548,137.97	345,454.94	7,893,592.91	31,574,371.63
Accrued expenses	10,303,258.88	2,575,814.72	—	2,575,814.72	10,303,258.88
Employee benefits payable	19,486,885.44	4,871,721.36	—	4,871,721.36	19,486,885.44
Amortisation of					
intangible assets	11,784,191.36	2,946,047.84	—	2,946,047.84	11,784,191.36
Provision for impairment	7,162,543.28	1,790,635.82	—	1,790,635.82	7,162,543.28
Total	<u>579,523,596.68</u>	<u>144,880,899.17</u>	<u>4,518,262.18</u>	<u>149,399,161.35</u>	<u>597,596,645.40</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**17 Deferred tax assets and deferred tax liabilities** (Continued)

(2) Deductible tax losses and temporary differences not recognised as deferred tax assets

	The Group	
	2016	2015
	RMB	RMB
Deductible tax losses	300,376,778.45	303,221,288.67
Deductible temporary differences	499,981,889.91	518,545,105.45
Total	800,358,668.36	821,766,394.12

The Group considers that it is not probable that sufficient taxable profits will be available in future periods to offset the above deductible temporary differences and deductible losses. Therefore, no deferred tax assets are recognised on the above deductible tax losses and temporary differences.

Tax losses of 27,432,463.79 for which deferred tax assets are not recognised in previous years were expired in this year. The tax losses which are not recognised as deferred tax assets as at 31 December 2016 will be expired during the period from 31 December 2017 to 31 December 2021. (The tax losses which are not recognised as deferred tax assets as at 31 December 2015 would be expired during the period from 31 December 2016 to 31 December 2020.)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 Other non-current assets

	The Group	
	2016 RMB	2015 RMB
Prepayments for land use rights	155,564,557.89	88,190,620.53
Prepayments for operation expenses of express service zones	134,167,034.97	90,394,141.95
Prepayments for construction and equipments	19,756,766.29	1,056,565.02
Revaluation increment of asset value of Guangdong Yueyun Langri Co., Ltd. (Note)	18,834,636.88	19,294,018.27
Prepayments for purchasing house	18,399,299.55	7,459,724.67
Prepayments for vehicles	16,891,870.26	11,979,336.40
Prepaid taxes	15,792,984.29	16,019,255.04
Others	30,993,385.79	19,415,888.68
Total	410,400,535.92	253,809,550.56

Note: This other non-current asset represents revaluation increment of net identifiable asset value of Guangdong Yueyun Langri Co. Ltd. as at 23 November 2007, the date on which GVTG, the company's subsidiary, acquired their equity interests. GVTG adopted CAS since 1 January 2009, and pursuant to the provision of "the Experts' view on implementation issues of CAS" in relation to the treatment on the balance of the debit difference of long-term equity investments in subsidiaries arising from combination of companies held by the acquirer which are not under a business combination involving enterprises under common control, if the acquirer can determine the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date, the balance of the differences between the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date and their carrying amounts, net of amortisation, as at the initial implementation date, shall be allocated to each of identifiable assets and liabilities of the acquire in a reasonable method, and shall be depreciated and amortised over the remaining useful life of identifiable assets of the acquire. Such depreciation and amortisation is included under the investment income item in the consolidated income statement; in case such balance could not be allocated to each of identifiable assets and liabilities of the acquire, it shall be amortised evenly over the remaining amortisation period of differences of original equity investments and shall be included under the investment income item in the consolidated income statement. Balance that is not amortised completely shall be included in the consolidated balance sheet as other non-current asset. Since GVTG could not allocate the balance of such valuation increment to identifiable assets and liabilities of Guangdong Yueyun Langri Co., Ltd., thus GVTG accounts for the balance of such valuation increment as other non-current assets. Amortisation period is from the acquisition date to the termination date of operation that is from November 2007 to October 2057.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Provisions for impairment

Details of provisions for impairment of the Group as at 31 December 2016 are as follows:

		Balance at the beginning of the year RMB	Charge during the year RMB	Additions arising from business combinations not under common control RMB	Decrease during the year Reversal RMB	Write-off RMB	Balance at the end of the year RMB
	Note V						
Accounts receivable	3	40,387,295.08	36,572,974.27	6,797.07	(8,093,759.68)	(132,649.87)	68,740,656.87
Prepayments	4	475,218,109.13	727.80	—	(627,132.91)	(525,491.97)	474,066,212.05
Other receivables	5	53,185,909.93	2,951,760.25	371,282.44	(1,071,834.25)	(723.44)	55,436,394.93
Inventories	6	—	1,000,430.00	—	—	—	1,000,430.00
Available-for-sale financial assets	10	1,348,476.29	—	—	—	—	1,348,476.29
Fixed assets	12	875,852.00	—	—	—	—	875,852.00
Construction in progress	13	451,957.10	—	—	—	—	451,957.10
Long-term deferred expenses	16	7,162,543.22	—	—	—	—	7,162,543.22
Total		<u>578,630,142.75</u>	<u>40,525,892.32</u>	<u>378,079.51</u>	<u>(9,792,726.84)</u>	<u>(658,865.28)</u>	<u>609,082,522.46</u>

Details of provisions for impairment of the Group as at 31 December 2015 are as follows:

		Balance at the beginning of the year RMB	Charge during the year RMB	Additions arising from business combinations not under common control RMB	Decrease during the year Reversal RMB	Written-off RMB	Balance at the end of the year RMB
	Note V						
Accounts receivable	3	30,674,183.98	12,081,916.46	697,998.82	(3,065,779.15)	(1,025.03)	40,387,295.08
Prepayments	4	478,004,799.73	642,770.74	—	(3,429,461.34)	—	475,218,109.13
Other receivables	5	50,346,913.57	4,542,372.70	1,599,680.50	(3,256,004.46)	(47,052.38)	53,185,909.93
Long-term receivables	8	398,458.89	—	—	(398,458.89)	—	—
Available-for-sale financial assets	10	1,348,476.29	—	—	—	—	1,348,476.29
Fixed assets	12	875,852.00	—	—	—	—	875,852.00
Construction in progress	13	451,957.10	—	—	—	—	451,957.10
Long-term deferred Expenses	16	7,162,543.22	—	—	—	—	7,162,543.22
Total		<u>569,263,184.78</u>	<u>17,267,059.90</u>	<u>2,297,679.32</u>	<u>(10,149,703.84)</u>	<u>(48,077.41)</u>	<u>578,630,142.75</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 Provisions for impairment (Continued)

Details of provisions for impairment of the Company as at 31 December 2016 are as follows:

	Note V	Balance at the beginning of the year RMB	Charge during the year RMB	Decrease during the year		Balance at the end of the year RMB
				Reversal RMB	Written-off RMB	
Accounts receivable	3	34,045,633.46	21,918,429.97	(5,227,201.00)	—	50,736,862.43
Prepayments	4	474,065,484.25	—	—	—	474,065,484.25
Other receivables	5	34,929,551.74	1,381,819.76	—	—	36,311,371.50
Long-term deferred expenses	16	7,162,543.22	—	—	—	7,162,543.22
Total		550,203,212.67	23,300,249.73	(5,227,201.00)	—	568,276,261.40

Details of provisions for impairment of the Company as at 31 December 2015 are as follows:

	Note V	Balance at the beginning of the year RMB	Charge during the year RMB	Decrease during the year		Balance at the end of the year RMB
				Reversal RMB	Written-off RMB	
Accounts receivable	3	26,839,524.46	9,612,517.00	(2,406,408.00)	—	34,045,633.46
Prepayments	4	477,490,263.25	—	(3,424,779.00)	—	474,065,484.25
Other receivables	5	32,912,008.87	2,017,542.87	—	—	34,929,551.74
Long-term deferred expenses	16	7,162,543.22	—	—	—	7,162,543.22
Total		544,404,339.80	11,630,059.87	(5,831,187.00)	—	550,203,212.67

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 Assets with restricted ownership or right of use

		The Group			
		Balance as	Addition	Decrease	Balance as
		At 1 January	during	during	at 31 December
		2016	the year	the year	2016
		RMB	RMB	RMB	RMB
	Note V				
Assets pledged as collateral					
– Investment properties	11	1,847,361.44	—	(1,847,361.44)	—
– Fixed assets	12	202,384,006.22	131,045,058.44	(93,920,603.71)	239,508,460.95
– Intangible assets	14	78,270,052.85	63,866,898.24	(15,639,924.42)	126,497,026.67
Sub-total		<u>282,501,420.51</u>	<u>194,911,956.68</u>	<u>(111,407,889.57)</u>	<u>366,005,487.62</u>
Assets pledged as counter guarantee					
– Intangible assets	14	142,174,375.66	—	(16,911,153.84)	125,263,221.82
Sub-total		<u>142,174,375.66</u>	<u>—</u>	<u>(16,911,153.84)</u>	<u>125,263,221.82</u>
Assets with restrictions arising from other reasons					
– Cash at bank and on hand	1	10,354,388.65	—	(631,079.93)	9,723,308.72
		<u>10,354,388.65</u>	<u>—</u>	<u>(631,079.93)</u>	<u>9,723,308.72</u>
Total		<u>435,030,184.82</u>	<u>194,911,956.68</u>	<u>(128,950,123.34)</u>	<u>500,992,018.16</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 Assets with restricted ownership or right of use (Continued)

	Note V	The Group			Balance as at 31 December 2015 RMB
		Balance as At 1 January 2015 RMB	Addition during the year RMB	Decrease during the year RMB	
Assets pledged as collateral					
– Investment properties	11	1,910,355.60	1,847,361.44	(1,910,355.60)	1,847,361.44
– Fixed assets	12	128,771,634.97	165,238,815.80	(91,626,444.55)	202,384,006.22
– Intangible assets	14	4,231,094.09	74,937,825.96	(898,867.20)	78,270,052.85
Sub-total		<u>134,913,084.66</u>	<u>242,024,003.20</u>	<u>(94,435,667.35)</u>	<u>282,501,420.51</u>
Assets pledged as counter guarantee					
– Intangible assets	14	<u>—</u>	<u>142,174,375.66</u>	<u>—</u>	<u>142,174,375.66</u>
Sub-total		<u>—</u>	<u>142,174,375.66</u>	<u>—</u>	<u>142,174,375.66</u>
Assets with restrictions arising from other reasons					
– Cash at bank and on hand	1	<u>10,103,527.40</u>	<u>869,754.89</u>	<u>(618,893.64)</u>	<u>10,354,388.65</u>
		<u>10,103,527.40</u>	<u>869,754.89</u>	<u>(618,893.64)</u>	<u>10,354,388.65</u>
Total		<u>145,016,612.06</u>	<u>385,068,133.75</u>	<u>(95,054,560.99)</u>	<u>435,030,184.82</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**20 Assets with restricted ownership or right of use** (Continued)

Apart from the above restricted assets, GVTG, a subsidiary of the Group, pledged 51% equity interests in each of Shaoguan Yueyun Vehicles Transportation Group Co., Ltd. and Qingyuan Yueyun Vehicles Transportation Co., Ltd. as security to obtain the secured loans. The secured loans had been settled in 2016 and the pledged of the equity interests is released. For details, please refer to Note V. 31(2).

		The Company			
		Balance as	Addition	Decrease	Balance as
		At 1 January	during	during	at 31 December
		2016	the year	the year	2016
		RMB	RMB	RMB	RMB
Assets pledged as					
counter guarantee					
- Intangible assets	14	<u>142,174,375.66</u>	—	<u>(16,911,153.84)</u>	<u>125,263,221.82</u>

		The Company			
		Balance as	Addition	Decrease	Balance as
		At 1 January	during	during	at 31 December
		2015	the year	the year	2015
		RMB	RMB	RMB	RMB
Assets pledged as					
counter guarantee					
- Intangible assets	14	—	<u>142,174,375.66</u>	—	<u>142,174,375.66</u>

21 Short-term loans

		The Group	
Note	2016	2015	
		RMB	RMB
Unsecured loans		<u>25,000,000.00</u>	91,300,000.00
Loans secured by mortgages	(1)	<u>20,000,000.00</u>	<u>34,900,000.00</u>
Total		<u>45,000,000.00</u>	<u>126,200,000.00</u>

Note 1: For the details of assets pledged for secured loans as at 31 December 2016, please refer to Note V. 12 and 14.

As at 31 December 2016, the Group's short-term loans were bank borrowings within 1 year, which bear interest rates ranging from 4.13% - 4.35% per annum (31 December 2015: 5.60% - 6.00%). The Group had no overdue short-term loan as at 31 December 2016 (31 December 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Bills payable

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Bank acceptance bills	462,401,913.99	177,631,886.38	92,189,797.25	55,631,886.38
Commercial acceptance bills	—	38,228,190.00	—	—
Total	<u>462,401,913.99</u>	<u>215,860,076.38</u>	<u>92,189,797.25</u>	<u>55,631,886.38</u>

The above bills are all due within one year.

23 Accounts payable

(1) The ageing analysis of accounts payable according to the date of transaction is as follows:

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Within 3 months (inclusive)	483,334,584.17	642,421,416.64	185,046,726.62	102,247,698.74
Over 3 months and within 6 months (inclusive)	27,288,475.41	47,327,567.67	28,772,933.83	23,957,614.15
Over 6 months and within 1 year (inclusive)	57,812,145.47	38,523,740.82	155,000.00	1,451,986.66
Over 1 year and within 2 years (inclusive)	44,778,732.10	100,774,641.37	352,824.64	6,201,687.37
Over 2 years and within 3 years (inclusive)	35,823,376.21	19,019,994.29	343,111.21	3,556,686.56
Over 3 years	20,396,572.71	29,337,878.78	12,402,548.52	9,304,544.91
Total	<u>669,433,886.07</u>	<u>877,405,239.57</u>	<u>227,073,144.82</u>	<u>146,720,218.39</u>

(2) As at 31 December 2016, the Group and the Company had no accounts payable with ageing over one year and individual amount over RMB 10 million.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**24 Advances from customers**

(1) The ageing analysis of advances from customers is as follows:

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Within 1 year (inclusive)	222,642,253.51	424,386,442.52	32,664,000.44	108,418,016.80
Over 1 year and within 2 years (inclusive)	4,801,233.61	3,075,742.88	2,295,499.33	1,587,525.26
Over 2 years and within 3 years (inclusive)	487,456.72	22,066.17	—	—
Over 3 years	6,162,619.27	4,364,528.24	3,859,506.78	3,859,506.78
Total	234,093,563.11	431,848,779.81	38,819,006.55	113,865,048.84

(2) As at 31 December 2016, the Group and the Company had no advances from customers with ageing over one year and individual amount over RMB 10 million.

25 Employee benefits payable

	Note	The Group		The Company	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
Short-term employee benefits	(1)	140,997,906.52	136,714,897.49	15,951,328.69	17,753,194.46
Post-employment benefits					
– defined contribution plans	(2)	11,902,530.84	12,224,058.55	45,491.13	45,491.13
Termination benefits		4,214,302.39	4,386,837.60	2,173,877.04	2,329,431.04
Long-term employee benefits due within one year (Note V. 34)		7,596,778.66	6,184,385.97	—	—
Total		164,711,518.41	159,510,179.61	18,170,696.86	20,128,116.63

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Employee benefits payable (Continued)

(1) Short-term employee benefits

	The Group			Balance at 31 December 2016 RMB		
	Balance at 1 January 2016 RMB	Accrued during the year RMB	Paid during the year RMB			
	Salaries, bonuses, allowances	119,276,878.51	1,239,042,831.07		(1,232,705,869.05)	125,613,840.53
	Staff welfare	9,694.26	55,251,381.29		(55,121,672.34)	139,403.21
Social insurance	1,680,150.89	66,334,111.27	(66,312,511.87)	1,701,750.29		
Including: Medical insurance	1,831,976.22	56,705,191.95	(56,699,417.98)	1,837,750.19		
Work-related injury insurance	(100,808.47)	3,930,363.04	(3,930,121.84)	(100,567.27)		
Maternity insurance	(51,016.86)	4,760,812.21	(4,760,065.06)	(50,269.71)		
Others	—	937,744.07	(922,906.99)	14,837.08		
Housing fund	4,784,204.30	66,161,867.34	(68,368,100.28)	2,577,971.36		
Labor union fee, staff and workers' education fee	10,818,518.46	20,684,410.75	(20,685,419.15)	10,817,510.06		
Other short-term employee benefits	145,451.07	3,633,312.12	(3,631,332.12)	147,431.07		
Labor protection fee	—	4,989,410.75	(4,989,410.75)	—		
Labor service charge	—	48,894,873.67	(48,894,873.67)	—		
Total	136,714,897.49	1,504,992,198.26	(1,500,709,189.23)	140,997,906.52		

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Employee benefits payable (Continued)

(1) Short-term employee benefits (Continued)

	Balance at 1 January 2015 RMB	Increase arising from business combinations not under common control RMB	The Group		Balance at 31 December 2015 RMB
			Accrued during the year RMB	Paid during the year RMB	
Salaries, bonuses, allowances	112,898,923.00	4,957,900.54	1,132,137,013.78	(1,130,716,958.81)	119,276,878.51
Staff welfare	82,656.86	—	49,271,180.95	(49,344,143.55)	9,694.26
Social insurance	2,255.92	—	63,282,610.67	(61,604,715.70)	1,680,150.89
Including: Medical insurance	166,346.50	—	52,772,114.87	(51,106,485.15)	1,831,976.22
Work-related					
injury insurance	(98,965.12)	—	4,591,626.90	(4,593,470.25)	(100,808.47)
Maternity insurance	(65,125.46)	—	5,384,522.86	(5,370,414.26)	(51,016.86)
Others	—	—	534,346.04	(534,346.04)	—
Housing fund	101,906.50	3,908,076.00	67,846,717.06	(67,072,495.26)	4,784,204.30
Labor union fee, staff and workers' education fee	8,686,913.21	430,187.70	19,751,304.64	(18,049,887.09)	10,818,518.46
Non-monetary benefits	—	—	156,259.80	(156,259.80)	—
Other short-term employee benefits	224,478.27	—	2,492,026.82	(2,571,054.02)	145,451.07
Labor protection fee	—	—	8,002,949.31	(8,002,949.31)	—
Labor service charge	—	—	59,672,765.76	(59,672,765.76)	—
Total	<u>121,997,133.76</u>	<u>9,296,164.24</u>	<u>1,402,612,828.79</u>	<u>(1,397,191,229.30)</u>	<u>136,714,897.49</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Employee benefits payable (Continued)

(1) Short-term employee benefits (Continued)

	The Company			
	Balance at	Accrued		Balance at
	1 January	during	Paid during	31 December
	2016	the year	the year	2016
	RMB	RMB	RMB	RMB
Salaries, bonuses, allowances	15,356,864.88	28,987,293.02	(31,111,938.17)	13,232,219.73
Staff welfare	—	1,876,717.44	(1,876,717.44)	—
Social insurance	1,465,150.31	2,048,579.32	(2,048,579.32)	1,465,150.31
Including: Medical insurance	1,464,312.70	1,776,205.84	(1,776,205.84)	1,464,312.70
Work-related injury insurance	488.57	58,328.80	(58,328.80)	488.57
Maternity insurance	349.04	189,778.58	(189,778.58)	349.04
Others	—	24,266.10	(24,266.10)	—
Housing fund	249,335.00	4,203,924.00	(4,203,924.00)	249,335.00
Labor union fee, staff and workers' education fee	641,231.18	1,100,677.84	(777,898.46)	964,010.56
Other short-term employee benefits	40,613.09	426,150.00	(426,150.00)	40,613.09
Labor service charge	—	116,120.45	(116,120.45)	—
Total	<u>17,753,194.46</u>	<u>38,759,462.07</u>	<u>(40,561,327.84)</u>	<u>15,951,328.69</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**25 Employee benefits payable** (Continued)

(1) Short-term employee benefits (Continued)

	The Company			
	Balance at	Accrued		Balance at
	1 January	during	Paid during	31 December
	2015	the year	the year	2015
	RMB	RMB	RMB	RMB
Salaries, bonuses, allowances	14,233,619.73	30,659,875.26	(29,536,630.11)	15,356,864.88
Staff welfare	—	1,030,342.32	(1,030,342.32)	—
Social insurance	16,677.13	1,948,494.48	(500,021.30)	1,465,150.31
Including: Medical insurance	15,840.51	1,696,294.88	(247,822.69)	1,464,312.70
Work-related injury insurance	487.58	53,959.47	(53,958.48)	488.57
Maternity insurance	349.04	175,606.09	(175,606.09)	349.04
Others	—	22,634.04	(22,634.04)	—
Housing fund	249,335.00	5,009,154.00	(5,009,154.00)	249,335.00
Labor union fee, staff and workers' education fee	354,500.90	832,514.70	(545,784.42)	641,231.18
Other short-term employee benefits	100,613.09	425,250.00	(485,250.00)	40,613.09
Labor service charge	—	68,350.00	(68,350.00)	—
Total	<u>14,954,745.85</u>	<u>39,973,980.76</u>	<u>(37,175,532.15)</u>	<u>17,753,194.46</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Employee benefits payable (Continued)

(2) Post-employment benefits - defined contribution plans

	The Group			
	Balance at	Accrued	Paid during	Balance at
	1 January	during		31 December
	2016	the year	the year	2016
RMB	RMB	RMB	RMB	
Basic pension insurance	7,917,589.25	105,627,686.21	(105,376,473.31)	8,168,802.15
Unemployment insurance	163,575.66	4,819,949.23	(4,819,608.68)	163,916.21
Annuity	820,356.83	7,073,617.74	(7,335,761.47)	558,213.10
Mandatory provident fund	3,322,536.81	255,135.88	(566,073.31)	3,011,599.38
Total	<u>12,224,058.55</u>	<u>117,776,389.06</u>	<u>(118,097,916.77)</u>	<u>11,902,530.84</u>

	The Group				
	Balance at	Increase	Accrued	Paid during	Balance at
	1 January	business	the year	the year	2015
2015	combination	the year	the year	2015	
RMB	not under	RMB	RMB	RMB	
RMB	common	RMB	RMB	RMB	
RMB	control	RMB	RMB	RMB	
Basic pension insurance	4,661,880.11	2,909,739.88	96,885,889.55	(96,539,920.29)	7,917,589.25
Unemployment insurance	140,715.30	—	6,009,601.45	(5,986,741.09)	163,575.66
Annuity	4,178,634.46	—	3,449,840.82	(6,808,118.45)	820,356.83
Mandatory provident fund	3,433,789.81	—	801,772.23	(913,025.23)	3,322,536.81
Total	<u>12,415,019.68</u>	<u>2,909,739.88</u>	<u>107,147,104.05</u>	<u>(110,247,805.06)</u>	<u>12,224,058.55</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**25 Employee benefits payable** (Continued)(2) *Post-employment benefits - defined contribution plans* (Continued)

	The Company			
	Balance at	Accrued	Paid during	Balance at
	1 January	during		31 December
	2016	the year	the year	2016
RMB	RMB	RMB	RMB	
Basic pension insurance	36,683.46	2,975,555.83	(2,975,555.83)	36,683.46
Unemployment insurance	8,837.67	122,433.22	(122,463.22)	8,807.67
Annuity	(30.00)	1,396,787.04	(1,396,757.04)	—
Total	<u>45,491.13</u>	<u>4,494,776.09</u>	<u>(4,494,776.09)</u>	<u>45,491.13</u>

	The Company			
	Balance at	Accrued	Paid during	Balance at
	1 January	during		31 December
	2015	the year	the year	2015
RMB	RMB	RMB	RMB	
Basic pension insurance	36,683.71	2,698,040.32	(2,698,040.57)	36,683.46
Unemployment insurance	8,837.67	185,908.23	(185,908.23)	8,837.67
Annuity	1,448,442.19	1,339,914.56	(2,788,386.75)	(30.00)
Total	<u>1,493,963.57</u>	<u>4,223,863.11</u>	<u>(5,672,335.55)</u>	<u>45,491.13</u>

The Group and the Company paid termination benefits amounting to RMB 3,327,943.45 and RMB 155,554.00 respectively in 2016 (The Group and the Company paid termination benefits amounting to RMB 25,434,941.57 and nil respectively in 2015).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 Taxes payable

	The Group				Balance at 31 December 2016 RMB
	Balance at 1 January 2016 RMB	Accrued during the year RMB	Increase/ (decrease) arising from the change of consolidation scope RMB	Paid during the year RMB	
VAT	42,062,892.84	139,418,463.31	34,371.17	(134,168,849.53)	47,346,877.79
Business tax	6,950,225.30	18,633,232.26	—	(24,866,614.41)	716,843.15
Corporate income tax	59,456,405.88	157,050,352.48	(206,058.45)	(155,392,717.67)	60,907,982.24
Urban maintenance and construction tax	3,772,096.94	10,895,582.86	—	(11,532,749.60)	3,134,930.20
Property tax	3,623,542.72	14,010,216.33	—	(12,902,092.28)	4,731,666.77
Land use tax	2,324,801.57	4,526,533.77	—	(4,255,814.05)	2,595,521.29
Individual income tax	7,027,769.88	38,422,975.37	—	(38,586,409.66)	6,864,335.59
Education surcharges and local education surcharges	2,484,822.14	8,421,983.31	—	(8,676,193.11)	2,230,612.34
Others	4,402,980.03	30,999,478.00	—	(30,444,567.05)	4,957,890.98
Total	<u>132,105,537.30</u>	<u>422,378,817.69</u>	<u>(171,687.28)</u>	<u>(420,826,007.36)</u>	<u>133,486,660.35</u>

	The Company			
	Balance at 1 January 2016 RMB	Accrued during the year RMB	Paid during the year RMB	Balance at 31 December 2016 RMB
VAT	—	10,754,953.89	(7,034,487.27)	3,720,466.62
Business tax	603,249.21	2,114,006.48	(2,656,581.36)	60,674.33
Corporate income tax	6,391,554.77	23,860,770.60	(22,273,334.21)	7,978,991.16
Urban maintenance and construction tax	41,274.70	529,148.13	(525,381.32)	45,041.51
Individual income tax	452,637.62	4,117,958.67	(4,129,845.40)	440,750.89
Education surcharges and local education surcharges	31,488.36	460,574.98	(458,767.29)	33,296.05
Others	916,784.31	545,608.02	(473,568.09)	988,824.24
Total	<u>8,436,988.97</u>	<u>42,383,020.77</u>	<u>(37,551,964.94)</u>	<u>13,268,044.80</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**27 Interest payable**

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Interest payable for bank loans	366,333.83	551,954.97	—	—
Interest payable for bonds	4,729,044.48	4,577,888.89	4,729,044.48	4,577,888.89
Total	5,095,378.31	5,129,843.86	4,729,044.48	4,577,888.89

28 Dividends payable

	The Group	
	2016 RMB	2015 RMB
Zhaoqing Communications Group Company Limited	13,744,383.71	8,230,327.40
Committee of Shaoguan Vehicles Transportation Group	3,864,410.10	1,698,685.64
Individual shareholders of subsidiaries	3,620,883.98	2,424,701.32
Guangdong Xinyue Communications Investment Company Limited	2,780,436.84	2,780,436.84
Foshan Public Transportation Company	2,303,000.00	—
Labor Union Committee of Zhaoqing City Yueyun Motor Transportation Co., Ltd.	2,191,133.64	1,312,081.18
Guangdong Heyuan City, Motor Transport Group Co., Ltd.	374,555.94	374,555.94
Shenzhen Communication Company Limited	313,500.00	313,500.00
Mami Hong Kong Tourism Trade Co., Ltd.	313,500.00	313,500.00
Foshan City Railway Port Management Coordination Center	178,360.00	137,200.00
Total	29,684,164.21	17,584,988.32

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 Other payables

(1) Other payables by customer:

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Related Party	18,885,873.97	20,016,629.70	1,031,920,299.47	1,120,429,306.32
Third Party	560,241,830.55	564,898,509.72	24,982,960.36	30,901,279.36
Total	579,127,704.52	584,915,139.42	1,056,903,259.83	1,151,330,585.68

(2) As at 31 December 2016, the Group had the following other payables to customers with ageing over one year and individual amount over RMB 10 million:

The Group

	Amount RMB	Reasons for unsettlement
China Petrochemical Sales Co., Ltd. Guangdong Branch	18,000,000.00	Deposit, contract term is not due yet

As at 31 December 2016, the Company had no other payables with ageing over one year and individual amount over RMB 10 million.

30 Non-current liabilities due within one year

	Note V	The Group	
		2016 RMB	2015 RMB
Long-term loans due within one year	31	45,347,000.63	69,482,371.94
Long-term payables due within one year	33	34,872,176.24	42,749,365.73
Deferred income due within one year	35	44,133,270.15	35,688,674.41
Total		124,352,447.02	147,920,412.08

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 Long-term loans

	Note	The Group	
		2016 RMB	2015 RMB
Unsecured loans		93,806,859.58	8,307,959.44
Loans secured by mortgages	(1)	183,965,871.98	132,963,310.39
Pledged loans	(2)	—	184,650,000.00
Total	(3)	277,772,731.56	325,921,269.83
Less: long-term loans due within one year			
Including: Unsecured loans		9,883,432.75	3,115,077.15
Loans secured by mortgages		35,463,567.88	66,367,294.79
Sub-total (Note V. 30)		45,347,000.63	69,482,371.94
Long-term loans due after 1 year		232,425,730.93	256,438,897.89
Including: Due after 1 year but within 2 years		37,353,465.64	43,402,151.39
Due after 2 years but within 5 years		195,072,265.29	213,036,746.50

Note 1: For the details of assets pledged for secured loans as at 31 December 2016, please refer to Note V. 12 and 14.

Note 2: GVTG, a subsidiary of the Group, obtained the secured bank loans by pledge of 51% equity interests in each of Guangdong Shaoguan Vehicles Transportation Group Co., Ltd. and Qingyuan Yueyun Vehicles Transportation Co., Ltd. These loans were fully repaid in 2016 prior to the maturity date.

Note 3: As at 31 December 2016, all the Group's long-term loans were bank borrowings with interest rates ranging from 4.37% - 4.90% per annum (31 December 2015: 4.75% - 8.30% per annum). The Group did not have any expired but outstanding long-term loans as at 31 December 2016 (31 December 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 Bonds payable

Item	Period	Issue date	Face value	Discount	Amortisation as		Carrying	
					amount	at 1 January	Amortisation	amount as at
			RMB	RMB	RMB	RMB	RMB	
2014 corporate bond (first phase)	7 years	28/09/2015	400,000,000.00	(3,620,513.00)	111,248.91	457,271.74	396,948,007.65	
2014 corporate bond (second phase)	5 years	17/12/2015	380,000,000.00	(3,439,487.00)	17,389.83	644,883.60	377,222,786.43	
Total			<u>780,000,000.00</u>	<u>(7,060,000.00)</u>	<u>128,638.74</u>	<u>1,102,155.34</u>	<u>774,170,794.08</u>	

On 28 September 2015, the Company issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB 400 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. On 17 December 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB 380 million with a term of 5 years. Relevant interest is calculated and paid annually at a coupon rate of 3.58% per annum and the principal will be returned upon maturity. In connection with the issuance of these bonds, GCGC provided an unconditional and irrevocable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**33 Long-term payables***The Group*

	Note	2016 RMB	2015 RMB
Deposits		17,658,519.05	21,689,333.05
Obligations under finance lease	(1)	58,304,180.89	406,875.00
Payables for purchasing cars		67,698,101.41	42,577,522.06
Station construction fees		7,470,376.00	6,980,376.00
Others		11,290,527.68	19,478,046.10
Total		162,421,705.03	91,132,152.21
Less: Long-term payables due within one year			
Including: Deposits		94,196.72	1,071,798.00
Obligations under finance lease		13,863,709.80	406,875.00
Payables for purchasing cars		17,914,194.82	26,177,492.87
Others		3,000,074.90	15,093,199.86
Sub-total (Note V. 30)		34,872,176.24	42,749,365.73
Long-term payables due after one year		127,549,528.79	48,382,786.48

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**33 Long-term payables** (Continued)*The Group (Continued)*

- (1) The obligations under finance lease are represent payables for cars under finance lease. As at 31 December, the total future minimum lease payment of finance lease is as follows:

	2016	2015
	RMB	RMB
Within 1 year (inclusive)	13,863,709.80	406,875.00
Over 1 year and within 2 years (inclusive)	13,863,709.80	—
Over 2 years and within 3 years (inclusive)	13,863,709.80	—
Over 3 years	23,106,183.00	—
Sub-total	64,697,312.40	406,875.00
Less: Unrecognised finance charges	6,393,131.51	—
Carrying amounts	58,304,180.89	406,875.00

No asset was pledged for finance lease during the year.

34 Long-term employee benefits payable*The Group*

	Note V	2016	2015
		RMB	RMB
Termination benefits		169,736,727.72	181,752,614.09
Less: Settled within one year	25	7,596,778.66	6,184,385.97
Total		162,139,949.06	175,568,228.12

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**34 Long-term employee benefits payable** (Continued)*The Group (Continued)*

The above termination benefits are classified as defined benefit plans. The Group provides the staff in some of its subsidiaries with the following two kinds of defined benefit plans:

- (i) Retirement subsidy plan: retired staff are entitled to a supplementary monthly pension after meeting specific requirements. The pension amounts are determined at a level of a certain proportion of the respective staff's final wages before retirement. As of 31 December 2016, there was no adjustment to the retirement subsidy plan above made by the Group.
- (ii) Post-retirement medical care plan: withhold certain years' medical care for retired staff.

The above defined benefit plans expose the Group to actuarial risk such as longevity risk and inflation risk. Disclosures are summarised as follows since defined benefit plans discussed above have same risks and characteristics:

- (a) Amounts recognised in the financial statements and related movements in liability of defined benefit plans are as follows:

	2016
	RMB
Balance at the beginning of the year	181,752,614.09
Included in profit or loss:	
– Current service cost	2,897,133.46
– Net interest	2,620,733.55
Included in other comprehensive income:	
– Actuarial loss	2,913,530.75
Other movements	
– Benefits paid	(20,447,284.13)
Balance at the end of the year	169,736,727.72
Including: Retirement subsidy plan	168,714,003.99
Post-retirement medical benefits plan	1,022,723.73

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Long-term employee benefits payable (Continued)

The Group (Continued)

(b) Actuarial assumptions and sensitivity analysis

The following are the principal actuarial assumptions adopted by the Group to evaluate the present value of the defined benefit plan obligations:

	2016	2015
Discount rate	2.79% - 3.58%	4.00% - 4.42%
Average longevity expectancy	75 - 82.5 years	75 - 82.5 years

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date, holding other assumptions constant, would have affected the defined benefit obligations of the Group by the amounts shown below:

2016:

	The Group	
	Increase RMB	Decrease RMB
Discount rate (changes 0.1%)	850,417.23	834,513.21
Average longevity expectancy (changes 1 year)	3,040,227.57	3,202,333.42

2015:

	The Group	
	Increase RMB	Decrease RMB
Discount rate (changes 0.1%)	852,342.29	836,450.63
Average longevity expectancy (changes 1 year)	2,332,885.28	2,434,974.64

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide the approximation of the sensitivity of the assumptions shown.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**35 Provisions**

As at 31 December 2016, the provision was made for a traffic accident compensation by the Group's subsidiary Guangdong Yueyun Langri Co., Ltd..

36 Deferred income

The Group

	Note	2016 RMB	2015 RMB
Government grant related to assets	(1)	267,415,606.18	265,068,149.28
Prepayments of gas station contracts and others		307,535,584.41	291,472,087.27
Sub-total		574,951,190.59	556,540,236.55
Less: Government grants due within one year (Note V.30)		44,133,270.15	35,688,674.41
Deferred income due after one year		530,817,920.44	520,851,562.14

(1) Government grant related to assets:

Item	Balance at the beginning of the year RMB	Additions during the year RMB	Recognition as non-operating income RMB	Balance at the end of the year RMB
Station construction funds	62,374,804.27	13,905,981.23	8,483,929.56	67,796,855.94
Tax subsidies for vehicle purchase	14,563,704.60	—	423,529.45	14,140,175.15
Vehicle replacement subsidies	8,131,828.86	5,714,897.79	2,873,589.12	10,973,137.53
New energy vehicles subsidies	174,593,045.65	22,924,295.80	30,732,373.35	166,784,968.10
Charging facilities subsidies	—	2,662,343.77	32,656.23	2,629,687.54
Software development subsidies	2,500,000.00	—	—	2,500,000.00
Others	2,904,765.90	—	313,983.98	2,590,781.92
Total	265,068,149.28	45,207,518.59	42,860,061.69	267,415,606.18

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 Share capital

The Group and the Company

	1 January 2016 RMB	Conversion from reserves to shares RMB	31 December 2016 RMB
2016			
I.Restricted tradable shares			
1.State-owned shares	—	—	—
2.State-owned representative shares	—	—	—
3.Other domestic-owned shares	—	—	—
Total restricted tradable shares	—	—	—
II.Tradable shares			
1.Ordinary shares denominated in RMB	419,462,800.00	173,385,000.00	592,847,800.00
2.Foreign-owned shares listed overseas	207,000,000.00	—	207,000,000.00
Total tradable shares	626,462,800.00	173,385,000.00	799,847,800.00
Total shares	626,462,800.00	173,385,000.00	799,847,800.00

	1 January 2015 RMB	Bonus share RMB	Changes during the year Conversion from reserves to shares RMB	Sub-total RMB	31 December 2015 RMB
2015					
I.Restricted tradable shares					
1.State-owned shares	—	—	—	—	—
2.State-owned representative shares	—	—	—	—	—
3.Other domestic-owned shares	—	—	—	—	—
Total restricted tradable shares	—	—	—	—	—
II.Tradable shares					
1.Ordinary shares denominated in RMB	279,641,867.00	55,928,373.00	83,892,560.00	139,820,933.00	419,462,800.00
2.Foreign-owned shares listed overseas	138,000,000.00	27,600,000.00	41,400,000.00	69,000,000.00	207,000,000.00
Total tradable shares	417,641,867.00	83,528,373.00	125,292,560.00	208,820,933.00	626,462,800.00
Total shares	417,641,867.00	83,528,373.00	125,292,560.00	208,820,933.00	626,462,800.00

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**38 Other equity instruments***The Group and The Company*

	2016	2015
	RMB	RMB
PSCS	<u>—</u>	<u>281,810,000.00</u>

Note 1: On 31 December 2012, the Company issued PSCS to GCGC, with a principal amount of RMB 281,810,000.00, which equals to the issue price. According to the PSCS agreement, principle terms of the PSCS are as follows:

(1) Conversion

The PSCS is perpetual without expiration date. GCGC may convert all or part of the PSCS into domestic ordinary shares at any time from the issue date, provided that such conversion complies with the terms of agreement and relevant laws and regulations. On or at any time 12 months after the date of issue of the PSCS, the Company may also, at its option, elect to convert the PSCS in whole or in part into domestic shares. The initial conversion price is RMB 2.74 per share. The number of domestic ordinary shares may be converted into is calculated by dividing the amount of principal by the conversion price. The conversion price is subject to adjustment in the event that the shares of the Company have been diluted.

(2) Distribution of earnings

GCGC is entitled to an annual earning calculated at 1% per annum on any outstanding principal amount of PSCS and on a time proportion of the actual days of holding PSCS in a year. Such earnings should be distributed before 30 September in the succeeding year. However, the Company may, at its sole discretion, elect to defer a distribution and the election by the Company to defer a distribution will not trigger any additional payment obligations on the Company. The number of optional deferrals of distributions by the Company is not restricted. The deferral of distribution is required to be informed GCGC in written no later than 10 days before the agreed date for distribution. In the event that all or part of the PSCS are converted into domestic shares, the Company may elect not to make any distribution of earnings that are attributable to those PSCS being converted.

(3) Status and claims

GCGC, as the holder of PSCS, is not entitled to shareholder's rights in the Company. In the event of winding-up of the Company, the rights and claims of GCGC, as the holder of PSCS, shall (i) rank ahead of those persons whose claims are in respect of any class of share capital of the Company; (ii) be subordinated in right of payment to claims of all other present and future preferential creditors of the Company, and (iii) rank pari passu with all the Company's other creditors.

Note 2: On 5 February 2016, the Company entered into a supplemental PSCS agreement with GCGC, whereby GCGC will execute the conversion of PSCS held by it with a principal amount of RMB 281,810,000.00. Taken into account of the diluted events such as capitalisation of share premium and distribution of profits, the adjusted conversion price is RMB 1.625333335 per share, and the number of shares to be converted is 173,385,000, and cash payment of RMB 1,580.00 will be made by the Company to GCGC at the adjusted conversion price to settle the remaining fractional shares. On 24 March 2016, upon the completion of the registration procedures, the PSCS was converted into the domestic shares of the Company, which resulted in an increase of share capital of the Company of RMB173,385,000.00. The difference of RMB108,423,420.00 between the principal amount of the PSCS and increase of share capital was recorded as share premium in capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 Capital Reserve

	The Group		
	Balance as at 1 January 2016 RMB	Additions/ (Reductions) During the year RMB	Balance as at 31 December 2016 RMB
Share premiums	26,358,025.01	106,591,131.07	132,949,156.08
Including: Capital contributed by shareholders	205,635,426.84	—	205,635,426.84
Effect of acquisition of minority interests	(1,709,516.77)	(1,832,288.93)	(3,541,805.70)
Differences arising from business combination involving enterprises under common control	(177,567,885.06)	—	(177,567,885.06)
Conversion of Perpetual Subordinated Convertible Securities	—	108,423,420.00	108,423,420.00
Other capital reserve	18,800,491.50	—	18,800,491.50
Including: Transfer from capital reserves under the previous standards	2,170,000.00	—	2,170,000.00
Others	16,630,491.50	—	16,630,491.50
Total	45,158,516.51	106,591,131.07	151,749,647.58

	The Group		
	Balance as at 1 January 2015 RMB	Reductions During the year RMB	Balance as at 31 December 2015 RMB
Share premiums	151,650,585.01	(125,292,560.00)	26,358,025.01
Including: Capital contributed by shareholders	330,927,986.84	(125,292,560.00)	205,635,426.84
Effect of acquisition of minority interests	(1,709,516.77)	—	(1,709,516.77)
Differences arising from business combination involving enterprises under common control	(177,567,885.06)	—	(177,567,885.06)
Other capital reserve	18,800,491.50	—	18,800,491.50
Including: Transfer from capital reserves under the previous standards	2,170,000.00	—	2,170,000.00
Others	16,630,491.50	—	16,630,491.50
Total	170,451,076.51	(125,292,560.00)	45,158,516.51

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

39 Capital Reserve

	The Company		
	Balance as at	Additions	Balance as at
	1 January 2016	During the year	31 December 2016
	RMB	RMB	RMB
Share premiums	124,966,611.30	108,423,420.00	233,390,031.30
Including: Capital contributed			
by shareholders	160,947,844.65	—	160,947,844.65
Differences arising			
from business			
combination			
involving enterprises			
under common			
control	(35,981,233.35)	—	(35,981,233.35)
Conversion of Perpetual			
Subordinated Convertible			
Securities	—	108,423,420.00	108,423,420.00
Other capital reserve	12,630,075.81	—	12,630,075.81
Total	<u>137,596,687.11</u>	<u>108,423,420.00</u>	<u>246,020,107.11</u>

	The Company		
	Balance as at	Reductions	Balance as at
	1 January 2015	During the year	31 December 2015
	RMB	RMB	RMB
Share premiums	250,259,171.30	(125,292,560.00)	124,966,611.30
Including: Capital contributed			
by shareholders	286,240,404.65	(125,292,560.00)	160,947,844.65
Differences arising			
from business			
combination			
involving enterprises			
under common			
control	(35,981,233.35)	—	(35,981,233.35)
Other capital reserve	12,630,075.81	—	12,630,075.81
Total	<u>262,889,247.11</u>	<u>(125,292,560.00)</u>	<u>137,596,687.11</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 Other comprehensive income

	The Group			Balance at the end of the year attributable to shareholders of the Company RMB
	Balance at the beginning of the year attributable to shareholders of the Company RMB	Increase/ (decrease) during the year RMB	Less: Attributable to non-controlling interests RMB	
Remeasurement of defined benefit plan liability	(3,332,666.97)	(882,288.00)	337,444.28	(3,877,510.69)
Translation differences of foreign currency financial statements	(29,465,482.47)	18,049,333.74	(6,629,978.90)	(18,046,127.63)
Total	<u>(32,798,149.44)</u>	<u>17,167,045.74</u>	<u>(6,292,534.62)</u>	<u>(21,923,638.32)</u>

41 Special reserve

	The Group	
	2016 RMB	2015 RMB
Balance at the beginning of the year	30,225,215.67	22,864,907.64
Additions during the year	22,869,494.07	25,951,796.68
Reductions during the year	(21,618,487.77)	(18,591,488.65)
Balance at the end of the year	<u>31,476,221.97</u>	<u>30,225,215.67</u>

According to the Administration instruction on using and provision of enterprises' safety special reserve (Caiqi [2012] 16) and Administration instruction of safely operation of Guangdong Yueyun Transportation Co., Ltd., transportation enterprises should provide safety reserve monthly based on last year's actual operating income, at the rates of 1% for ordinary freight transportation service and 1.5% for passengers transportation service, respectively. Enterprises serve for production and storage of hazardous goods should set provision of safety reserve by regressive method monthly based on last year's actual operating income.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**42 Surplus reserve**

	The Group RMB	The Company RMB
Balance as at 1 January 2015	136,839,287.38	134,361,198.52
Additions during the year	<u>5,394,826.61</u>	<u>5,394,826.61</u>
Balance as at 31 December 2015	142,234,113.99	139,756,025.13
Additions during the year	<u>10,619,481.04</u>	<u>10,619,481.04</u>
Balance as at 31 December 2016	<u><u>152,853,595.03</u></u>	<u><u>150,375,506.17</u></u>

Statutory surplus reserve can be used to make up for the losses, expand the production and operation or to be transferred to increase capital; when being transferred to capital, the statutory surplus reserve remained shall be no less than 25% of the Company's registered capital before the surplus reserve was transferred to increase capital. Please see Note V. 43 for the provision of statutory surplus reserve for the year.

43 Retained earnings

		The Group	
	Note	2016 RMB	2015 RMB
Retained earnings at the beginning of the year		781,113,221.65	669,480,517.83
Add: Net profit for the year attributable to the shareholders of the Company		336,619,322.19	266,020,283.48
Less: Appropriation for statutory surplus reserve		10,619,481.04	5,394,826.61
Final dividends in respect of the previous financial year, approved and declared during the year	(1)	103,980,214.00	62,646,280.05
Distribution of share dividends	(1)	—	83,528,373.00
Distribution of earnings of PSCS for previous year		—	2,818,100.00
Retained earnings at the end of the year	(2)	<u><u>1,003,132,848.80</u></u>	<u><u>781,113,221.65</u></u>
Including: Accumulated undistributed earnings attributable to the holder of PSCS	(3)	—	2,818,100.00

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 Retained earnings (Continued)

	Note	The Company	
		2016 RMB	2015 RMB
Retained earnings at the beginning of the year		130,547,824.72	230,987,138.34
Add: Net profit for the year			
attributable to the shareholders			
of the Company		106,194,810.43	53,948,266.04
Less: Appropriation for statutory			
surplus reserve		10,619,481.04	5,394,826.61
Final dividends in respect of the			
previous financial year,			
approved and declared			
during the year	(1)	103,980,214.00	62,646,280.05
Distribution of share dividends	(1)	—	83,528,373.00
Distribution of earnings of			
PSCS for previous year		—	2,818,100.00
Retained earnings at the end of the year	(4)	122,142,940.11	130,547,824.72
Including: Accumulated			
undistributed earnings			
attributable to			
the holder of PSCS	(3)	—	2,818,100.00

Note 1: As mentioned in Note V 38, note 2, on 24 March 2016, the PSCS held by GCGC was converted into domestic shares of the Company. A final dividend of RMB 0.13 per share (tax included) for year 2015 were approved for distribution by shareholders at the Annual General Meeting held on 7 June 2016. The total amount of 2015 final dividend was RMB 103,980,214.00, calculated based on the total number of shares of 799,847,800 after taking into account of the conversion of PSCS (corresponding period in 2015: RMB 0.15 per share (tax included), amounting to RMB 62,646,280.05 in total).

Note 2: As at 31 December 2016, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB385,264,481.78 (31 December 2015: RMB354,949,546.09).

Note 3: As mentioned in Note V 38, note 1 (2), according to the PSCS agreement, the Company is required to distribute an annual earning to the holder of PSCS, which is calculated at 1% of the principal of RMB 281,810,000.00 and on a time proportion of the actual days of holding PSCS in a year.

As of 31 December 2015, the earnings attributable to the holder of PSCS of the Group and the Company amounted to RMB 2,818,100.00, which was the accumulated earning of the PSCS for the period from 1 January 2015 to 31 December 2015.

As mentioned in Note V 38, note 2, on 24 March 2016, the PSCS held by GCGC was fully converted into 173,385,000 domestic shares of the Company, and those shares were entitled to the distribution of 2015 final dividends. As such, the Company decided not to distribute the accumulated earnings attributable to the holder of PSCS for the period from 1 January 2015 to 23 March 2016 which was calculated at 1% of the principal. The retained earnings of the Group and the Company as at 31 December 2016 did not contain the earnings attributable to the holder of PSCS.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**43 Retained earnings** (Continued)

Note 4: As at 31 December 2016, the Company's distributable profits, which represents the carrying amount of retained earnings less the accumulated earnings attributable to the holder of PSCS, amounted to RMB122,142,940.11 (31 December 2015: the Company's distributable profits, which represents the carrying amount of retained earnings less the accumulated earnings attributable to the holder of PSCS, amounted to RMB127,729,724.72).

Note 5: On 13 March 2017, the Board of Directors approved to recommend distribution of final dividend of 2016 of the Company of RMB 0.13 before tax per share, totalling RMB 103,980,214.00, calculated based on the total number of shares of 799,847,800 of the Company as of 31 December 2016. The above proposal is subjected to approval by the annual general meeting.

44 Equity attributable to the shareholders of the Company

	2016	2015
	RMB	RMB
(1) Equity attributable to the common shareholders of the Company	2,117,136,475.06	1,589,577,618.38
(2) Equity attributable to holders of other equity instrument		
Including: principal	—	281,810,000.00
Accumulated undistributed earnings at the beginning of the year	2,818,100.00	2,818,100.00
Add: Earnings and comprehensive income attributable for the year	—	2,818,100.00
Less: Earnings distributed during the year	—	(2,818,100.00)
Distributable earnings no longer to be distributed (Note V. 11, note 3)	(2,818,100.00)	—
Accumulated undistributed earnings at the end of the year	—	2,818,100.00
Sub-total	2,117,136,475.06	284,628,100.00
Total equity attributable to the shareholders of the Company	2,117,136,475.06	1,874,205,718.38

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 Operating income and operating costs

The Group

	2016		2015	
	Operating income	Operating cost	Operating income	Operating cost
	RMB	RMB	RMB	RMB
1. Principal operating income				
Construction materials sales	2,998,838,651.80	2,847,882,025.85	4,621,764,801.52	4,470,830,080.59
Taiping Interchange service	196,870,416.43	35,479,186.81	183,636,681.29	30,990,385.82
Construction contracts income (Note 1)	24,578,869.64	15,815,863.09	19,339,313.80	13,625,492.03
Expressway service income	839,588,165.65	614,893,925.26	765,959,769.76	561,546,782.60
Cross-border transportation	224,949,548.12	190,560,267.56	223,156,166.47	190,105,527.07
Domestic transportation service (Note 2)	2,370,034,975.08	1,869,171,288.33	2,299,675,357.75	1,731,023,472.20
Station operations	224,473,602.02	217,390,502.14	224,441,591.59	210,342,293.47
Others	253,653,309.03	205,301,633.88	196,286,022.54	162,227,144.68
Sub-total	7,132,987,537.77	5,996,494,692.92	8,534,259,704.72	7,370,691,178.46
2. Other operating income				
Lease and other services (Note 3)	186,275,964.02	43,385,284.55	175,074,234.62	31,878,080.30
Total	7,319,263,501.79	6,039,879,977.47	8,709,333,939.34	7,402,569,258.76

Note 1: Details of construction contracts income with individual amount over RMB 2 million are as follows:

Item	Total contract revenue	Accumulated costs incurred	Accumulated gross profits	Operating income	Operating costs
				recognised	recognised
				in the year	in the year
	RMB	RMB	RMB	RMB	RMB
Road greening and protection					
Project of Yunzhan Expressway	12,814,082.60	2,840,165.44	195,826.02	2,536,851.32	2,341,025.30
Landscape greening project of					
Kaili Future City	5,684,070.47	1,435,165.47	375,037.65	2,321,081.16	1,946,043.51
Trees transplantation Project of					
Yunzhan Expressway	5,636,415.00	2,919,606.19	988,797.97	4,682,220.99	3,693,423.02
Total	24,134,568.07	7,194,937.10	1,559,661.64	9,540,153.47	7,980,491.83

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**45 Operating income and operating costs** (Continued)*The Group (Continued)*

Note 2: Operating income of Foshan City Yueyun Public Transportation Company Limited and Foshan City Sanshui District Yueyun Transportation Company Limited includes income derived from their operations of public traffic community business (hereinafter referred to as "TC Business"). Pursuant to the Public Traffic Service Contract signed between Foshan City Yueyun Public Transportation Company Limited and Foshan Chancheng Public Transport Management Co., Ltd. (hereinafter referred to as "Public Transport Management Company"), Foshan City Yueyun Public Transportation Company Limited shall operate certain bus lines in Chancheng District, Foshan City, and all fare income derived from routes operation shall be enjoyed by Public Transport Management Company, while Foshan City Yueyun Public Transportation Company Limited shall settle operating income with Public Transport Management Company monthly based on actual operating mileages of each operating route under price per kilometre of each route method as agreed in the Public Traffic Service Contract. During the year, income derived from Public Transport Management Company was RMB354,836,644.64, representing 4.85% of total operating income (2015: RMB343,762,464.50, representing 3.95% of total operating income).

Pursuant to the Sanshui District Government Procurement Project Contract signed between Foshan City Sanshui District Yueyun Transportation Company Limited and Foshan City Sanshui District Transportation and City Management Bureau, since April 7th 2016, Foshan City Sanshui District Yueyun Transportation Company shall operate certain bus lines in Sanshui District, Foshan City, and all fare income derived from routes operation shall be enjoyed by Foshan City Sanshui District Transportation and City Management Bureau, while Foshan City Sanshui District Yueyun Transportation Company Limited shall settle operating income with Foshan City Sanshui District Transportation and City Management Bureau monthly based on actual operating mileages of each operating route under price per kilometer of each route method as agreed in the Sanshui District Government Procurement Project Contract. During the year, income derived from Foshan City Sanshui District Transportation and City Management Bureau was RMB69,341,987.18, representing 0.95% of total operating income (2015:nil).

Note 3: Other operating income includes lease income except for property lease, advertisement income on bodywork of vehicles and contractual management income etc..

The Company

	2016		2015	
	Operating income	Operating cost	Operating income	Operating cost
	RMB	RMB	RMB	RMB
Principal operating income				
Construction materials sales	638,561,346.99	616,309,418.38	714,909,798.02	725,904,981.54
Taiping Interchange service	196,870,416.43	35,569,977.95	183,636,681.29	31,092,947.53
Other operating income	7,855,036.82	29,500.00	7,662,000.00	7,662,000.00
Total	843,286,800.24	651,908,896.33	906,208,479.31	764,659,929.07

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

46 Taxes and surcharges

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Business tax	18,633,232.26	40,086,880.44	2,114,006.48	6,658,713.52
Property tax	11,487,535.87	1,557,470.54	—	—
Urban maintenance and construction tax	10,895,582.86	10,448,289.71	531,395.37	521,790.44
Education surcharges and local education surcharges	8,421,983.31	8,016,257.48	462,821.93	451,408.89
Land use tax	4,193,593.56	—	—	—
Cultural undertakings fee	2,843,805.27	2,313,539.27	—	—
Anti-flood and maintenance fee	1,089,699.00	1,094,678.30	42,785.97	132,218.41
Others	3,334,615.01	1,971,752.13	448,586.36	—
Total	<u>60,900,047.14</u>	<u>65,488,867.87</u>	<u>3,599,596.11</u>	<u>7,764,131.26</u>

From 1 May 2016, the Group shall apply “Notice on Printing and Distributing the Accounting Treatment of VAT from MOF” (Caikuai [2016] No.22). The Financial Statement item of “Business Taxes and Surcharges” shall be adjusted to “Taxes and Surcharges”. Urban maintenance and construction tax, Education surcharges and local education surcharges, Property tax, Land use tax, Vehicle and vessel usage tax, stamp duty and other relevant taxes shall be recorded under this account.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

47 Financial expenses

	Note	The Group		The Company	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
Interest expense from loans, bonds and payables		55,951,472.08	69,743,262.79	38,189,992.60	27,359,946.26
Including: Interest expenses from loans	(1)	52,399,061.95	68,319,047.45	31,657,310.93	21,401,249.90
Less: Borrowing costs capitalised		3,552,410.13	1,424,215.34	—	—
Net interest expenses		52,399,061.95	68,319,047.45	38,189,992.60	27,359,946.26
Less: Interest income		21,328,157.52	19,240,658.96	24,044,036.79	19,420,302.40
Net exchange losses		7,570,896.88	8,052,767.76	3,555,405.51	4,089,764.40
Amortisation of unrecognised financing charges		1,388,827.25	3,559,521.18	—	—
Bank charges		2,655,339.51	2,889,957.83	359,473.52	569,892.08
Others		5,369,344.02	6,418,275.34	237,784.52	1,151,032.82
Total		48,055,312.09	69,998,910.60	18,298,619.36	13,750,333.16

(1) Interest expenses related to bank loans of the Group due within 5 years were RMB23,786,380.60 (2015: RMB48,368,235.16). Interest expenses related to other loans were RMB32,165,091.48 (2015: RMB19,950,812.29).

Interest expenses from loans of the Company in 2016 and 2015 are all related to the loans due within five years.

Capitalised interest expense of the Group in 2016 was RMB3,552,410.13 (2015: RMB1,424,215.34).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

48 Impairment losses

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Accounts receivable	28,479,214.59	9,016,137.31	16,691,228.97	7,206,109.00
Prepayments	(626,405.11)	(2,786,690.60)	—	(3,424,779.00)
Other receivables	1,879,926.00	1,286,368.24	1,381,819.76	2,017,542.87
Long-term receivables	—	(398,458.89)	—	—
Inventories	1,000,430.00	—	—	—
Total	<u>30,733,165.48</u>	<u>7,117,356.06</u>	<u>18,073,048.73</u>	<u>5,798,872.87</u>

49 Investment income

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Income from investments in subsidiaries accounting for using cost method	—	—	40,979,011.04	26,769,534.16
Income from investments in associates accounting for using equity method	15,475,967.42	22,260,497.84	13,199,293.57	15,199,934.72
Income from investments in joint ventures accounting for using equity method	9,669,763.70	4,903,212.04	—	—
Gains on disposal of long-term equity investments	1,558,214.67	215,952.89	—	—
Gains on disposal of available-for-sale financial assets	—	4,992,187.50	—	—
Others	112,030.34	(454,430.49)	1,014,357.24	291,725.95
Total	<u>26,815,976.13</u>	<u>31,917,419.78</u>	<u>55,192,661.85</u>	<u>42,261,194.83</u>
Including:				
Income from investments in associates accounting for using equity method attributable to shareholders of the parent company	<u>15,543,490.50</u>	<u>22,178,696.77</u>	<u>13,199,293.57</u>	<u>15,199,934.72</u>
Income from investments in joint ventures accounting for using equity method attributable to shareholders of the parent company	<u>9,417,430.78</u>	<u>4,788,313.76</u>	<u>—</u>	<u>—</u>

There are no significant restrictions on remittance of the Group and the Company's investment income.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

50 Non-operating income

	Note	The Group		The Company	
		2016 RMB	2015 RMB	2016 RMB	2015 RMB
Total gains on disposal of					
non-current assets		9,403,581.30	9,776,812.31	—	232.95
Including: Disposal					
of fixed assets		6,735,792.37	9,731,209.35	—	232.95
Government grants	(1)	195,685,090.93	102,944,309.49	284,487.31	—
Compensations		1,692,900.98	1,787,798.01	49,400.00	—
Others		11,765,735.29	8,004,718.10	407.50	379,290.30
Total		218,547,308.50	122,513,637.91	334,294.81	379,523.25

(1) Details of government grants are as follows:

Items	2016 RMB	2015 RMB	Related to assets/income
Fuels subsidies	91,253,793.80	44,405,512.67	Income
Subsidies for operation	44,911,816.01	23,746,126.84	Income
Subsidies for vehicle disposals	4,067,620.00	8,323,240.00	Income
Subsidies of elderly concessionary travel card	6,326,903.32	7,703,593.94	Income
Subsidies for station renovation	8,483,929.56	5,847,244.75	Assets
Subsidies of new energy vehicles replacement	30,732,373.36	3,521,444.35	Assets
Subsidies for vehicles replacement	2,873,589.12	2,638,648.91	Assets
Other subsidies related to income	6,264,896.11	5,839,268.67	Income
Other subsidies related to assets	770,169.65	919,229.36	Assets
Total	195,685,090.93	102,944,309.49	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

51 Non-operating expenses

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Losses on disposal of non-current assets	3,439,286.12	3,075,310.23	31,779.05	142,535.26
Road accident losses	5,281,772.00	4,293,188.99	—	—
Donations to third parties	882,013.61	1,014,786.00	—	—
Penalty expenses	3,368,032.43	516,955.86	—	9,000.00
Compensation	—	11,250.00	—	—
Others	1,771,298.12	1,481,164.84	20,000.00	7,000.00
Total	14,742,402.28	10,392,655.92	51,779.05	158,535.26

52 Income tax expenses

The Group

(1) Income tax expenses

	2016 RMB	2015 RMB
Current tax expense for the year based on tax law and regulations	159,268,507.32	156,680,904.03
Including: Mainland China	158,642,440.14	155,579,342.63
Hong Kong	626,067.18	1,101,561.40
Tax filing differences	(2,218,154.84)	188,816.10
Changes in deferred tax	(7,510,469.98)	7,337,919.99
Total	149,539,882.50	164,207,640.12

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**52 Income tax expenses** (Continued)*The Group (Continued)*

(2) Reconciliation between income tax expense and accounting profit is as follows:

	2016	2015
	RMB	RMB
Profits before taxation	610,251,638.07	530,412,372.92
Expected income tax expense at tax rate of 25% (2015: 25%)	152,562,909.52	132,603,093.23
Effect of non-deductible expenses	6,407,411.77	11,553,291.46
Effect of investment income arising from equity transfer within the Group	—	6,253,525.77
Effect of non-taxable income	(13,628,512.92)	(11,511,446.20)
Effect of unrecognised deductible temporary differences and tax losses	16,535,412.57	23,174,296.33
Reversal of deferred tax asset that recognised in previous year	—	4,607,365.94
Effect of utilisation of tax losses and deductible temporary differences unrecognised in previous periods	(9,790,771.32)	(2,209,459.98)
Effect of different tax rates applied by certain subsidiaries	(328,412.28)	(451,842.53)
Effect of tax filing differences	(2,218,154.84)	188,816.10
Total	149,539,882.50	164,207,640.12

The Company

(1) Income tax expenses

	2016	2015
	RMB	RMB
Current tax expense for the year based on tax law and regulations	22,193,389.23	14,499,963.50
Effect of adjusting income tax in previous year	(2,780,209.34)	1,025,742.28
Changes in deferred tax assets	(4,518,262.18)	(3,491,128.88)
Total	14,894,917.71	12,034,576.90

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

52 Income tax expenses (Continued)

The Group (Continued)

(2) Reconciliation between income tax expense and accounting profit is as follows:

	2016 RMB	2015 RMB
Profits before taxation	121,089,728.14	65,982,842.94
Expected income tax expense at tax rate of 25% (2015: 25%)	30,272,432.04	16,495,710.73
Effect of non-deductible expenses	414,688.04	3,826,136.87
Effect of non-taxable income	(13,011,993.03)	(10,024,603.30)
Reversal of deferred tax asset that recognized in previous period	—	711,590.32
Effect of adjusting income tax in previous year	(2,780,209.34)	1,025,742.28
Total	<u>14,894,917.71</u>	<u>12,034,576.90</u>

The details of the Company and its subsidiaries' applicable income tax rates are set out in Note III.

53 Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The calculation is as follows:

	2016 RMB	2015 RMB
Net profit attributable to shareholders of the Company	336,619,322.19	266,020,283.48
Less: Earnings attributable to the holder of PSCS	—	(2,818,100.00)
Net profit attributable to ordinary shareholders of the Company	<u>336,619,322.19</u>	<u>263,202,183.48</u>
Weighted average number of ordinary shares in issue during the year	<u>760,420,800.00</u>	<u>626,462,800.00</u>
Basic earnings per share (RMB/share)	<u>0.44</u>	<u>0.42</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**53 Earnings per share** (Continued)(1) *Basic earnings per share*

Weighted average number of ordinary shares in issue during the year is calculated as follows:

	2016	2015
	Shares	Shares
Issued ordinary shares at the beginning of the year	626,462,800.00	417,641,867.00
Effect of capitalisation of share premium	—	125,292,560.00
Effect of issue of bonus share	—	83,528,373.00
Effect of conversion of PSCS	133,958,000.00	—
Issued ordinary shares at the end of the year (Note)	760,420,800.00	626,462,800.00

Note: The weighted average number of ordinary shares in issue for current period has taken into account of the effect of the conversion of PSCS on 24 March 2016.

(2) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue (diluted) (as if all PSCS has been converted into ordinary shares at the beginning of the period). The calculation is as follows:

	2016	2015
	RMB	RMB
Net profit attributable to the shareholders of the Company	336,619,322.19	266,020,283.48
Weighted average number of ordinary shares in issue (diluted)	799,847,800.00	799,847,800.00
Diluted earnings per share (RMB/share)	0.42	0.33

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

53 Earnings per share (Continued)

(2) Diluted earnings per share

Weighted average number of ordinary shares (diluted) in issue during the year is calculated as follows:

	2016	2015
	Shares	Shares
Issued ordinary shares at the end of the year (Note 1)	760,420,800.00	626,462,800.00
Diluted adjustment: Effect of PSCS (Note 2)	39,427,000.00	173,385,000.00
Issued ordinary shares at the end of the year (diluted)	799,847,800.00	799,847,800.00

Note1: The weighted average number of ordinary shares in issue for current period has taken into account of the effect of the conversion of PSCS on 24 March 2016.

Note2: As mentioned in Note V.38, note 2, on 24 March 2016, the PSCS held by GCGC was converted into ordinary shares of the Company. The weighted average number of ordinary shares in issue for current period (diluted) was calculated as if the PSCS had been converted into ordinary shares since 1 January 2016.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

54 Other comprehensive income

	The Group			
	Balance at the beginning of the year RMB	Charge to other comprehensive income during the year RMB	Transfer to profit or loss during the year RMB	Balance at the end of the year RMB
Items that will not be reclassified to profit or loss				
Including: Remeasurement of defined benefit plan liability				
(1) Attributable to shareholders of the Company	(3,332,666.97)	(544,843.72)	—	(3,877,510.69)
(2) Attributable to non-controlling interests	<u>(2,064,058.67)</u>	<u>(337,444.28)</u>	—	<u>(2,401,502.95)</u>
Subtotal	<u>(5,396,725.64)</u>	<u>(882,288.00)</u>	—	<u>(6,279,013.64)</u>
Items that may be reclassified subsequently to profit or loss				
Including: Exchange differences on translation of financial statements denominated in foreign currencies				
(1) Attributable to shareholders of the Company	(29,465,482.47)	11,419,354.84	—	(18,046,127.63)
(2) Attributable to non-controlling interests	<u>(18,192,236.71)</u>	<u>6,629,978.90</u>	—	<u>(11,562,257.81)</u>
Subtotal	<u>(47,657,719.18)</u>	<u>18,049,333.74</u>	—	<u>(29,608,385.44)</u>
Total	<u>(53,054,444.82)</u>	<u>17,167,045.74</u>	—	<u>(35,887,399.08)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

55 Supplement to income statement

Expenses are analysed by their nature as follows:

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Operating income	7,319,263,501.79	8,709,333,939.34	843,286,800.24	906,208,479.31
Less: Changes in finished goods	3,528,194,090.88	5,329,086,073.73	597,777,585.91	713,379,323.46
Employee benefits expenses	1,624,419,295.53	1,526,599,145.96	43,138,117.71	44,197,843.87
Depreciation	438,532,782.53	360,654,961.45	962,079.70	915,771.33
Raw materials used	202,622,175.15	170,858,513.62	—	—
Rental expenses	166,666,359.41	172,589,458.13	2,828,833.19	4,031,306.88
Amortisation	68,924,033.61	65,794,280.99	21,109,898.26	23,559,439.85
Financial expenses	48,055,312.09	69,998,910.60	18,298,619.36	13,750,333.16
Impairment losses for assets	30,733,165.48	7,117,356.06	18,073,048.73	5,798,872.87
Audit fees	6,280,000.00	6,380,000.00	4,093,622.64	3,447,468.00
Other expenses	798,389,555.26	581,963,847.87	16,197,782.36	31,366,264.94
Operating profit	406,446,731.85	418,291,390.93	120,807,212.38	65,761,854.95

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

56 Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	The Group	
	2016 RMB	2015 RMB
Net profit	460,711,755.57	366,204,732.80
Add: Impairment provisions for assets	30,733,165.48	7,117,356.06
Depreciation of fixed assets	432,893,633.91	354,526,789.53
Depreciation of investment properties and other non-current assets	5,639,148.62	6,128,171.92
Amortisation of intangible assets	57,271,265.87	55,056,546.16
Amortisation of long-term deferred expenses	11,652,767.74	10,737,734.83
Gains on disposal of fixed assets, intangible assets, and other long-term assets	(5,964,295.18)	(6,701,502.08)
Financial expenses	45,628,605.47	66,296,693.86
Investment income	(26,815,976.13)	(31,917,419.78)
(Increase) /decrease in deferred tax assets	(6,910,419.03)	3,802,545.41
(Decrease) /increase in deferred tax liabilities	(668,079.85)	2,275,914.38
(Increase)/decrease in inventories	(42,900,844.70)	60,576,189.05
Increase in operating receivables	(84,767,814.39)	(59,694,147.46)
(Decrease)/increase in operating payables	(151,078,451.91)	122,885,297.75
Intermediary expenses related to business combination	—	387,030.00
Increase in special reserve	2,867,975.17	12,595,042.38
Decrease/(increase) in restricted cash	631,079.93	(250,861.25)
Decrease/(increase) in long-term receivables	2,250,535.07	(3,209,477.23)
Decrease in long-term payables	(3,085,032.01)	(22,140.44)
Net cash inflow from operating activities	728,089,019.63	966,794,495.89

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

56 Supplement to cash flow statement (Continued)

(a) Reconciliation of net profit to cash flows from operating activities: (Continued)

	The Company	
	2016 RMB	2015 RMB
Net profit	106,194,810.43	53,948,266.04
Add: Impairment provisions for assets	18,073,048.73	5,798,872.87
Depreciation of fixed assets	962,079.70	915,771.33
Amortisation of intangible assets	18,318,409.27	20,371,458.75
Amortisation of long-term deferred expenses	2,791,488.99	3,187,981.10
Losses on disposal of fixed assets, intangible assets, and other long-term assets	31,779.05	142,302.31
Financial expenses	18,275,756.25	15,728,783.37
Investment income	(55,192,661.85)	(42,261,194.83)
Increase in deferred tax assets	(4,518,262.18)	(3,491,128.88)
Decrease in inventories	11,727,720.70	19,223,428.11
(Decrease)/increase in operating receivables	(1,313,889.20)	146,627,534.90
Decrease/(increase) in operating payables	44,224,529.00	(144,905,118.63)
Net cash flow from operating activities	159,574,808.89	75,286,956.44

(b) Change in cash and cash equivalents:

	The Group	
	2016 RMB	2015 RMB
Cash and cash equivalents at the end of the year (Note)	1,594,659,167.72	1,923,407,216.22
Less: Cash and cash equivalents at the beginning of the year (Note)	1,923,407,216.22	1,763,602,999.44
Net (decrease)/increase in cash and cash equivalents	(328,748,048.50)	159,804,216.78

Note: As at 31 December 2016, the balance of cash included security deposits for letter of guarantee and performance bonds, bidding deposits and housing repairment fund in an aggregate amount of RMB9,723,308.72 (31 December 2015: RMB10,354,388.65), which was deducted from the balance of cash and cash equivalents.

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

56 Supplement to cash flow statement (Continued)

(b) Change in cash and cash equivalents: (Continued)

	The Company	
	2016 RMB	2015 RMB
Cash and cash equivalents at the end of the year	1,109,152,535.46	1,381,281,009.40
Less: Cash and cash equivalents at the beginning of the year	1,381,281,009.40	843,395,937.87
Net (decrease)/increase in cash and cash equivalents	(272,128,473.94)	537,885,071.53

(c) Details of cash and cash equivalents

	The Group	
	2016 RMB	2015 RMB
(a) Cash at bank and on hand		
– Cash on hand	15,689,163.03	18,163,023.95
– Bank deposits available on demand	1,578,970,004.69	1,905,244,192.27
– Cash with restricted usage	9,723,308.72	10,354,388.65
(b) Closing balance of cash and cash equivalents	1,604,382,476.44	1,933,761,604.87
Less: Cash with restricted usage	9,723,308.72	10,354,388.65
(c) Closing balance of cash and cash equivalents available on demand	1,594,659,167.72	1,923,407,216.22

	The Company	
	2016 RMB	2015 RMB
(a) Cash at bank and on hand		
– Cash on hand	507.69	718.81
– Bank deposits available on demand	1,109,152,027.77	1,381,280,290.59
(b) Closing balance of cash and cash equivalents	1,109,152,535.46	1,381,281,009.40
(c) Closing balance of cash and cash equivalents available on demand	1,109,152,535.46	1,381,281,009.40

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**56 Supplement to cash flow statement** (Continued)

(d) Information on acquisition of subsidiaries during the year:

The Group		RMB
Consideration of acquisition	16,931,200.00	<u>16,931,200.00</u>
Cash and cash equivalents paid for acquisition of subsidiaries	16,931,200.00	
Less: Cash and cash equivalents held by subsidiaries	3,613,471.04	<u>3,613,471.04</u>
Net cash outflow for the acquisition	13,317,728.96	<u>13,317,728.96</u>
Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	7,262,470.23	
Non-current assets	10,428,413.28	
Current liabilities	(14,258,517.98)	
Non-current liabilities	—	

(e) Cash proceed/payment for other financing activities of the Group represents the net cash inflow/outflow in the cash pool accounts, which centrally managed the funds from the bank accounts of 5 related parties.

Cash payment/proceed from other financing activities of the Company represent the net cash outflow/inflow in the cash pool accounts, which centrally managed the funds from the bank accounts of certain subsidiaries.

The cash pool accounts centrally managed and daily collected or allocated changes with reference to the account balance of the Group and the Company. Due to the frequent transactions, the Group and the Company only disclose the net cash inflow or outflow of the cash centrally managed during the year.

(f) Investing activities not requiring the use of cash or cash equivalents:

The Company		2016	2015
		RMB	RMB
Conversion of debt into capital injection in a subsidiary	—	<u>—</u>	<u>80,000,000.00</u>

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

57 Segment reporting

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group were previously classified into four segments, including motor transportation and auxiliary services, material logistics services, expressway services and Taiping Interchange. In 2016, in order to cope with the implementation of the 13th Five-Year strategic development plan, the Group reorganised the internal management structure and revised the internal reporting policy, and reclassified the operations into three segments, including travel services, modern logistics and resources development. For the convenience of comparison, the comparative information of segment reporting for 2015 has been restated in accordance with the classification revised in 2016. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies.

(1) Segment reporting

	2016				Total RMB
	Travel services RMB	Modern logistics RMB	Resource development RMB	Inter-segment eliminations RMB	
Operating income					
Operating income from					
external customers	4,014,719,004.22	3,026,368,373.06	278,176,124.51	—	7,319,263,501.79
Inter-segment operating income	4,609,734.85	—	8,877,360.62	(13,487,095.47)	—
Total segment operating income	4,019,328,739.07	3,026,368,373.06	287,053,485.13	(13,487,095.47)	7,319,263,501.79
Operating costs	3,101,757,606.62	2,863,794,818.18	80,711,164.73	(6,383,612.06)	6,039,879,977.47
Interest in the profit or loss of					
associates and joint ventures	11,517,607.26	—	13,628,123.87	—	25,145,731.13
Impairment loss	2,219,311.46	28,513,854.02	—	—	30,733,165.48
Depreciation and amortisation	462,558,457.06	16,264,130.19	29,638,684.43	(1,004,455.54)	507,456,816.14
Profit before income tax	471,129,622.81	49,548,852.29	132,088,356.99	(42,515,194.02)	610,251,638.07
Income tax expenses	118,373,864.27	13,183,030.31	17,204,373.41	778,614.51	149,539,882.50
Net profit	352,755,758.54	36,365,821.98	114,883,983.58	(43,293,808.53)	460,711,755.57
Total assets	6,265,321,571.90	1,864,499,513.78	3,063,292,940.92	(3,530,221,818.95)	7,662,892,207.65
Total liabilities	3,426,941,481.57	1,743,472,357.99	1,451,612,310.65	(2,313,698,054.33)	4,308,328,095.88
Other important non-cash items:					
– Investments in					
associates and					
joint ventures	170,346,883.06	—	67,260,480.80	—	237,607,363.86
– The amounts of increase/ (decrease) of non-current assets other than long-term equity investments	395,748,722.41	(12,607,726.22)	(13,253,266.08)	(15,954,844.45)	353,932,885.66

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

57 Segment reporting (Continued)

(1) Segment reporting (Continued)

	2015				
	Travel services	Modern logistics	Resource development	Inter-segment eliminations	Total
	RMB	RMB	RMB	RMB	RMB
Operating income					
Operating income from					
external customers	3,786,714,658.23	4,656,192,398.63	266,426,882.48	—	8,709,333,939.34
Inter-segment operating income	11,154,825.96	—	9,494,392.21	(20,649,218.17)	—
Total segment operating income	3,797,869,484.19	4,656,192,398.63	275,921,274.69	(20,649,218.17)	8,709,333,939.34
Operating costs	2,843,574,104.75	4,485,455,879.12	83,739,842.29	(10,200,567.40)	7,402,569,258.76
Interest in the profit or loss of					
associates and joint ventures	11,963,775.17	—	15,199,934.71	—	27,163,709.88
Impairment loss	1,600,989.59	5,516,366.47	—	—	7,117,356.06
Depreciation and amortisation	383,390,008.84	19,467,771.10	25,634,786.82	(2,043,324.32)	426,449,242.44
Profit before income tax	389,344,794.22	48,095,216.55	123,268,720.14	(30,296,357.99)	530,412,372.92
Income tax expenses	123,727,331.41	24,709,735.41	14,718,947.67	1,051,625.63	164,207,640.12
Net profit	265,617,462.81	23,385,481.14	108,549,772.47	(31,347,983.62)	366,204,732.80
Total assets	5,813,613,809.48	1,860,450,454.13	3,073,371,575.36	(3,194,651,186.76)	7,552,784,652.21
Total liabilities	3,244,070,850.60	1,860,639,671.17	1,384,223,085.57	(1,982,738,281.18)	4,506,195,326.16
Other important non-cash items:					
– Investments in associates and joint ventures	157,233,621.26	—	55,507,056.93	—	212,740,678.19
– The amounts of increase/(decrease) of non-current assets other than long-term equity investments	629,635,381.14	(45,227,243.65)	(13,988,371.70)	36,624,485.17	607,044,250.96

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)**57 Segment reporting** (Continued)(2) *Geographic information*

The following table sets out information about the geographical location of the Group's operating income from external customers and the Group's non-current assets (excluding financial instruments, deferred tax assets, same as below). The geographical information is based on the location of customers receiving services or goods. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates and joint ventures.

	Operating income from external customers		Non-current assets	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
China Including: Mainland China	7,084,252,914.20	8,485,421,090.90	4,267,068,249.95	3,906,345,848.17
Hong Kong	235,010,587.59	223,912,848.44	171,290,521.94	153,213,352.39
Total	7,319,263,501.79	8,709,333,939.34	4,438,358,771.89	4,059,559,200.56

(3) *Major customers*

Operating income from each individual customer of the Group is below 10% of the Group's total operating income in 2016. The Group had one customer, the operating income from which is over 10% of the Group's total operating income in 2015. The operating income from this customer is summarised in the table below:

	2016 RMB	2015 RMB
Guangdong Provincial Changda Highway Engineering Company Limited	616,274,643.83	903,367,453.95

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

58 Net current assets

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Current assets	3,029,596,899.28	3,305,199,334.20	2,048,183,081.65	2,088,523,418.54
Less: Current liabilities	2,447,387,235.99	2,698,480,196.35	1,451,152,994.59	1,500,690,733.78
Net current assets	582,209,663.29	606,719,137.85	597,030,087.06	587,832,684.76

59 Total assets less current liabilities

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Total assets	7,662,892,207.65	7,552,784,652.21	3,543,710,142.06	3,589,932,709.48
Less: Current liabilities	2,447,387,235.99	2,698,480,196.35	1,451,152,994.59	1,500,690,733.78
Total assets less current liabilities	5,215,504,971.66	4,854,304,455.86	2,092,557,147.47	2,089,241,975.70

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Related parties where a controlling relationship exists:

The Company's ultimate holding company is GCGC.

2 Information on the subsidiaries of the Company:

Except for the subsidiaries newly established and deregistered during the year as disclosed in Note IV to the financial statements, there is no significant change on the information of other subsidiaries.

3 The related parties which have transactions with the Group while no controlling relationship exists:

	Related party relationships
Roadnet Innovalues Media	Joint venture of a subsidiary of the Company (before September 2016)
Guangdong Province Bus Terminal Co., Ltd.	Joint venture of a subsidiary of the Company
Lufeng Shenshan Expressway Company Limited	Associate of a subsidiary of the Company
Shenzhen Yueyun Investment Development Company Limited ("Shenzhen Yueyun")	Associate of a subsidiary of the Company
Express Cross-Border Coach Management Company Limited	Associate of a subsidiary of the Company
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Associate of a subsidiary of the Company
Guangzhou Tianhe Coach Terminal Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Automobile Passenger Traffic Center Co., Ltd.	Associate of a subsidiary of the Company
Jiangmen Guangjiang Expressway Passenger Co., Ltd.	Associate of a subsidiary of the Company
Qingyuan Zhongguan Development Co., Ltd.	Associate of a subsidiary of the Company
Southern United Assets and Equity Exchange Co., Ltd.	Associate of the Company
Guangdong Provincial Highway Construction Company Limited	Controlled by the ultimate holding company
Guangdong Province Road & Bridge Construction Development Company Limited	Controlled by the ultimate holding company
Zhaoqing City Guang-He Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Oriental Thought Technology Company Limited	Controlled by the ultimate holding company

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**3 The related parties which have transactions with the Group while no controlling relationship exists:** (Continued)

	Related party relationships
Guangdong Nan Yue Logistics International Services Company Limited	Controlled by the ultimate holding company
Guangdong Xinyue Communications Investment Company Limited	Controlled by the ultimate holding company
Meizhou Yueyun Vehicles Transportation Company Limited (“Meizhou Yueyun”)	Controlled by the ultimate holding company
Guangzhou Yueyun Investment Management Company Limited (“Yueyun Investment Management”)	Controlled by the ultimate holding company
Guangdong Yangjiang Vehicles Transportation Group Company Limited (“Yangjiang Transportation”)	Controlled by the ultimate holding company
Guangdong Bo-Da Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guangle Expressway Company Limited	Controlled by the ultimate holding company
Guangdong He-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Jiangzhong Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Kai Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Litong Properties Investment Company Limited	Controlled by the ultimate holding company
Guangdong Maozhan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Meihe Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Shanfen Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Freeway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Changda Highway Engineering Company Limited	Controlled by the ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited	Controlled by the ultimate holding company
Guangdong Yang-Mao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yu-Zhan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yue Dong Freeway Industry Development Company Limited	Controlled by the ultimate holding company
Guangdong Yue-Gan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yun-Wu Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Zhaoyang Expressway Company Limited	Controlled by the ultimate holding company
Guangfo Expressway Company Limited	Controlled by the ultimate holding company
Guang-Shen-Zhu Expressway Company Limited	Controlled by the ultimate holding company
Guangzhou Newsoft Technology Company Limited	Controlled by the ultimate holding company

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**3 The related parties which have transactions with the Group while no controlling relationship exists:** (Continued)

	Related party relationships
Guangzhou Xin Yue Asphalt Company Limited	Controlled by the ultimate holding company
Heyuan He-Long Expressway Company Limited	Controlled by the ultimate holding company
Jingzhu Expressway Guangzhu Section Company Limited	Controlled by the ultimate holding company
Weisheng Transportation Enterprises Company Limited	Controlled by the ultimate holding company
Xinyue Company Limited	Controlled by the ultimate holding company
Yunfu City Guangyun Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Western Coastal Expressway Operation Company Limited	Controlled by the ultimate holding company
Guangdong Western Shen-Shan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Gao-Da Property Development Company Limited	Controlled by the ultimate holding company
Guangdong Province Gongbei Vehicles Transportation Company Limited	Controlled by the ultimate holding company
Kee Kwan Motor Road Company Limited	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Xinhui Section Company Limited	Controlled by the ultimate holding company
Weisheng Freight Company Limited	Controlled by the ultimate holding company
Guangdong High Science and Technology Investment Company Limited	Controlled by the ultimate holding company
Guangdong Guanghui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Lulutong Company Limited	Controlled by the ultimate holding company
Guangdong Luo-Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Fokai Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Province Expressway Construction Materials Supply Station	Controlled by the ultimate holding company
Kwong Fat Transport Company Limited	Controlled by the ultimate holding company
Guangdong Ping-Xing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong HuaLu Transport Technology Company Limited	Controlled by the ultimate holding company
Guangdong Chao-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Er-Guang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yuejia Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Baomao Expressway Company Limited	Controlled by the ultimate holding company
Kee Kwan Travel Tour Transportation HongKong Company Limited	Controlled by the ultimate holding company
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	Controlled by the ultimate holding company

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**3 The related parties which have transactions with the Group while no controlling relationship exists:** (Continued)

	Related party relationships
Guangdong Communication Enterprise Investment Company Limited	Controlled by the ultimate holding company
Guangdong Ninghua Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Traffic Development Company Limited	Controlled by the ultimate holding company
Dongguan Weisheng International Logistics Company Limited	Controlled by the ultimate holding company
Xingning Automobile Transportation Company Limited	Controlled by the ultimate holding company
Weisheng Bus Company Limited	Controlled by the ultimate holding company
Guangdong Kee Kwan Transportation Company Limited	Controlled by the ultimate holding company
Guangdong Road and Bridge Electronics Company Limited	Controlled by the ultimate holding company
Guangdong Guangfozhao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong provincial Communication Group Finance Company Limited	Controlled by the ultimate holding company
Guangdong Gaintop Highway Engineering Construction Group Company Limited	Associate of the ultimate holding company
Guangdong Humen Bridge Company Limited	Joint venture of the ultimate holding company
Guangdong Feida Traffic Engineering Company Limited	Associate of a subsidiary of the ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Associate of a subsidiary of the ultimate holding company
Foshan Guang-San Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Guangdong Shenzhen-Shantou (Eastern Section) Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Jiangmen City Jiang-He Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Shenzhen Huiyan Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Guangdong Communications Telecommunications Company Limited	Associate of a subsidiary of the ultimate holding company
Hui-Shen (Yantian) Expressway Huizhou Company Limited	Joint venture of a subsidiary of the ultimate holding company
Zhaoqing Yuezhao Expressway Company Limited	Joint venture of a subsidiary of the ultimate holding company
Guangdong Guangzhu Expressway West Section Company Limited	Joint venture of a subsidiary of the ultimate holding company

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year***The Group*

Connected transactions between the Group and its related parties are identified as follows:

The transactions with connected persons constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

β The transactions with connected persons constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(a) Sales, rendering of services and purchases, receipt of services

Sales, rendering of services and purchases, receipt of services between the Group and its related parties were as follows:

	2016	2015
	RMB	RMB
(1) Material logistics service income		
Guangdong Provincial Changda Highway Engineering Company Limited#	615,048,471.83	899,262,498.90
Guangdong Gaintop Highway Engineering Construction Group Company Limited#	101,979,703.60	91,344,854.49
Guangzhou Xin Yue Asphalt Company Limited#	92,441,534.97	95,227,125.32
Total	809,469,710.40	1,085,834,478.71

The above material logistics service transactions have been conducted in accordance with the service contracts between the relevant companies of the Group and the above related parties, based on the Material Logistics Services Master Agreement signed between the Company and GCGC on 27 September 2005. The Group supplied materials to the construction projects in which GCGC and its subsidiaries, joint ventures and associates act as owners, and the selling price was determined by cost of materials or the purchase price cap, whichever is lower, plus a certain margin. While agreed with all the related parties and construction contractors, GCGC and its subsidiaries, joint ventures and associates, acting as owners, withheld contractors' payment for material purchase and remitted to the Group directly when they paid for project contracting to contractors.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

During the process of the material logistics service, the transaction with related parties as contractors are disclosed as above, the amount due from GCGC and its subsidiaries, joint ventures and associates generated from the above withholding transactions for the Group refer to Note VI. 4 (q).

	2016	2015
	RMB	RMB
(2) Expressway service operation income		
Guang-Shen-Zhu Expressway Company Limited [#]	1,503,532.90	1,527,207.72
Guangdong Provincial Changda Highway Engineering Company Limited [#]	1,226,172.00	4,104,955.05
Guangdong Guangzhu Expressway West Section Company Limited [#]	789,138.88	—
Guangdong Er-Guang Expressway Company Limited [#]	501,531.53	—
Guangdong Bo-Da Expressway Company Limited [#]	—	3,122,839.00
Guangdong Provincial Freeway Company Limited [#]	—	117,660.00
Roadnet Innovalues Media [#]	—	844,977.36
Others [#]	186,226.42	305,197.87
Total	4,206,601.73	10,022,837.00
(3) Cross-border transportation services income		
Express Cross-Border Coach Management Company Limited	24,760,000.31	23,156,999.16

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(4) Repairing income		
Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	325,411.74	309,621.77
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	13,954.69	187,696.56
Weisheng Transportation Enterprises Company Limited#	5,936.76	26,261.97
Others	38,850.43	287,631.07
Total	384,153.62	811,211.37
(5) Rendering of other services income		
Shenzhen Yueyun#	860,136.08	146,121.38
Jingzhu Expressway Guangzhu Section Company Limited#	809,514.08	781,713.15
Guangdong Humen Bridge Company Limited#	666,006.79	704,512.61
Meizhou Yueyun#	—	434,061.74
Others	288,582.03	484,135.44
Total	2,624,238.98	2,550,544.32

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(6) Road rescue service income		
Guangdong Province Road & Bridge Construction Development Company Limited [#]	5,738,980.31	4,068,225.48
Guangdong Guangle Expressway Company Limited [#]	3,082,075.44	3,082,075.44
Guangdong Western Shen-Shan Expressway Company Limited [#]	2,561,910.08	2,520,940.51
Guangdong Er-Guang Expressway Company Limited [#]	1,983,452.88	1,992,452.88
Guangdong Provincial Freeway Company Limited [#]	1,859,000.04	1,859,000.04
Guangdong Yun-Wu Expressway Company Limited [#]	1,699,811.40	1,678,849.62
Guangdong Bo-Da Expressway Company Limited [#]	1,539,170.79	1,512,425.55
Guangdong Meihe Expressway Company Limited [#]	1,488,650.99	1,497,141.48
Guangdong Yue-Gan Expressway Company Limited [#]	1,411,320.72	1,411,320.72
Guangdong Kai Yang Expressway Company Limited [#]	1,307,547.17	1,307,547.17
Guangdong Baomao Expressway Company Limited [#]	1,269,150.96	—
Guangdong ZhaoYang Expressway Company Limited [#]	1,232,363.16	1,232,363.16
Zhaoqing City Guang-He Expressway Company Limited [#]	1,203,773.64	—
Guangdong Ping-Xing Expressway Company Limited [#]	1,022,626.34	—
Guangdong Hehui Expressway Company Limited [#]	835,377.35	1,044,221.70
Guangdong Maozhan Expressway Company Limited [#]	560,377.32	1,120,754.75
Others [#]	5,428,075.39	4,782,955.55
Total	34,223,663.98	29,110,274.05

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(7) Rental income		
Express Cross-Border Coach Management Company Limited	1,324,177.76	1,423,254.64
Guangdong Xinyue Communications Investment Company Limited#	293,961.92	2,054,102.30
Roadnet Innovalues Media	—	456,277.00
Others	218,336.87	633,838.98
Total	<u>1,836,476.55</u>	<u>4,567,472.92</u>
(8) Sales of fixed assets		
Guangdong Guangzhu Expressway West Section Company Limited β	—	34,466,136.56

The above transactions under categories (2) - (8) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

(9) Purchase of materials		
Guangzhou Xin Yue Asphalt Company Limited#	836,867,261.11	1,275,572,328.77
Guangdong Guangye Yueyun Natural Gas Company Limited	53,745,262.60	55,242,962.72
Total	<u>890,612,523.71</u>	<u>1,330,815,291.49</u>

The above purchase of materials transactions have been conducted in accordance with the service contracts between the relevant companies within the Group and the above related parties, based on the Material Purchase Master Agreement signed between the Company and GCGC on 27 September 2005. Transaction price was negotiated between both parties.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(10) Expressway service zones operation expenses		
Guang-Shen-Zhu Expressway Company Limited [#]	19,015,796.60	21,270,316.30
Guangdong Guangzhu Expressway West Section Company Limited [#]	14,546,807.41	12,183,038.30
Guangdong Guangle Expressway Company Limited [#]	9,278,063.00	13,417,687.47
Guangdong Yue-Gan Expressway Company Limited [#]	8,705,179.73	8,537,209.25
Guangdong Province Road & Bridge Construction Development Company Limited [#]	7,993,718.45	7,270,057.76
Guangdong Kai Yang Expressway Company Limited [#]	6,290,697.79	6,450,497.18
Guangdong Yun-Wu Expressway Company Limited [#]	4,458,748.04	4,412,836.26
Guangdong Western Shen-Shan expressway Company Limited [#]	4,003,136.59	5,060,287.88
Guangdong Meihe Expressway Company Limited [#]	3,883,755.78	3,773,001.76
Guangdong Yang-Mao Expressway Company Limited [#]	3,814,928.32	3,662,565.14
Guangdong Provincial Freeway Company Limited [#]	3,680,469.41	4,338,570.57
Guangdong Bo-Da Expressway Company Limited [#]	3,574,287.91	1,907,002.82
Guangdong Provincial Highway Construction Company Limited [#]	3,072,711.66	2,596,601.73
Guangdong Jiangzhong Expressway Company Limited [#]	2,976,824.64	2,829,000.04
Guangdong Maozhan Expressway Company Limited [#]	2,876,931.20	3,061,813.03
Guangdong Yu-Zhan Expressway Company Limited [#]	2,582,430.99	2,519,816.60
Guangdong Er-Guang Expressway Company Limited [#]	2,464,969.13	2,846,898.89
Guangfo Expressway Company Limited [#]	2,439,985.30	2,245,697.78

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(10) Expressway service zones operation expenses		
<i>(Continued)</i>		
Guangdong Zhaoyang Expressway Company Limited [#]	2,285,586.59	2,060,541.66
Guangdong Shanfen Expressway Company Limited [#]	2,026,402.67	2,092,201.78
Guangdong Provincial Fokai Expressway Company Limited [#]	2,018,000.00	2,018,000.00
Guangdong Baomao Expressway Company Limited [#]	1,848,271.50	—
Guangdong Western Coastal Expressway Zhuhai Section Company Limited [#]	1,553,500.94	1,148,649.06
Jingzhu Expressway Guangzhu Section Company Limited [#]	1,549,332.07	1,967,688.35
Heyuan He-Long Expressway Company Limited [#]	1,467,602.56	1,500,934.76
Guangdong Ping-Xing Expressway Company Limited [#]	1,264,900.00	—
Zhaoqing Yuezhao Expressway Company Limited [#]	1,252,751.58	1,213,806.10
Yunfu City Guangyun Expressway Company Limited [#]	1,202,359.40	1,206,471.18
Guangdong He-Hui Expressway Company Limited [#]	1,166,750.67	1,243,903.79
Guangdong Yue Dong Freeway Industry Development Company Limited [#]	722,470.98	848,061.59
Others [#]	3,315,246.61	2,397,637.90
Total	127,332,617.52	126,080,794.93

The above expressway service zones operation transactions have been conducted in accordance with the service contracts between the relevant companies within the Group and the above related parties, based on the *Priority Right of Operation Agreement* signed between the Company and GCGC on 15 September 2005. Transaction price was negotiated between both parties.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(11) Rental expenses		
Yueyun Investment Management [#]	1,701,816.00	1,701,816.00
Guang-Shen-Zhu Expressway Company Limited [#]	615,614.88	615,614.88
Guangdong Gao-Da Property Development Company Limited [#]	—	684,188.11
Guangdong Western Coastal Expressway Xinhui Section Company Limited	—	554,400.00
Others	1,149,874.27	475,306.08
Total	<u>3,467,305.15</u>	<u>4,031,325.07</u>
(12) Repair and maintenance charges		
Guangdong Gaintop Highway Engineering Construction Group Company Limited [#]	748,404.49	—
Guangdong Humen Bridge Company Limited [#]	666,298.00	600,000.00
Guangdong Hualu Transportation Technology Company Limited [#]	601,435.05	—
Guangzhou Newsoft Technology Company Limited [#]	369,445.98	—
Guangdong Xinyue Communications Investment Company Limited [#]	248,269.22	—
Guangdong High Science and Technology Investment Company Limited [#]	30,320.00	—
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	15,151.55	16,695.00
Total	<u>2,679,324.29</u>	<u>616,695.00</u>

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	2016	2015
	RMB	RMB
(13) Receipt of services		
Guangdong Humen Bridge Company Limited#	4,700,000.00	4,700,000.00
Yunfu City Guangyun Expressway Company Limited	2,632,217.00	—
Guangdong Xinyue Communications Investment Company Limited	1,361,373.51	—
Dongguan Weisheng International Logistics Company Limited#	1,331,566.06	—
Others#	—	1,424,967.01
Total	10,025,156.57	6,124,967.01

The above transactions under categories (11) - (13) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

(b) Lending and Borrowing to related parties

Related parties	Annual interest rate	Opening Balance	Additions	Repayments	Ending balance at	Period
		at 1 January 2016	during the year	during the year	31 December 2016	
		RMB	RMB	RMB	RMB	
GCG Finance	4.465%	—	17,000,000.00	—	17,000,000.00	20/12/2016- 19/12/2019
GCG Finance	4.37%	—	20,000,000.00	—	20,000,000.00	28/12/2016- 27/12/2019
GCG Finance	4.37%	—	30,000,000.00	—	30,000,000.00	19/12/2016- 18/12/2019

For details of interest income arising from the above lending, please refer to Note VI. 4(e).

(c) Cash pool transaction

Pursuant to the relevant agreements, the Group centrally manages the funds from 6 relevant bank accounts (the "Cash Pool Accounts") of certain related party companies. The funds received are recorded as "other payables" and bear the same interest rate as demand deposit. Please refer to Note VI. 4 (p) "Other payables-Cash pool" regarding related parties' cash pool accounts information and Note VI. 4(e) regarding relevant interest expense.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

(d) GCG Finance deposit transaction#

According to the intercompany settlement account management agreement and general agreement on deposit, the Company opened a deposit account in GCG Finance with a demand interest rate or conventional interest rate. The deposit is accounted as deposit in GCG Finance by the Group and the Company. Please refer to Note VI. 4 (q) "Cash at bank and on hand" for more information.

(e) Interest income and interest expenses

	2016	2015
	RMB	RMB
Interest income		
GCG Finance	246,594.46	—
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	—	22,866.66
Roadnet Innovalues Media	—	133,200.00
Total	246,594.46	156,066.66
Interest expenses		
GVTG cash pool	56,512.98	11,607.49
GCG Finance	9,391.80	—
Total	65,904.78	11,607.49

The above transactions have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

- (f) Receipt of information system development and maintenance service

	2016	2015
	RMB	RMB
Guangdong Oriental Thought Technology Company Limited [#]	1,228,961.61	2,048,035.38
Guangdong FeidaTraffic Engineering Company Limited [#]	279,537.43	—
Guangdong Lulutong Company Limited [#]	653,911.00	—
Guangdong Hualu Transportation Technology Company Limited [#]	—	1,086,648.68
Guangzhou Newsoft Technology Company Limited [#]	—	186,000.00
Total	<u>2,162,410.04</u>	<u>3,320,684.06</u>

The above transactions have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

- (g) Freight transportation service outsourcing

On 30 July 2014, The Motor Transport Company of Guangdong and Hong Kong Limited, a subsidiary of the Group, entered into a freight transportation contracting agreement with Weisheng Fright Company Limited. Pursuant to the agreement, The Motor Transport Company of Guangdong and Hong Kong Limited outsources its freight transportation service to Weisheng Transportation Enterprises Company Limited under a contact term from 1 August 2014 to 28 February 2015, with a monthly agreed contracting fee of HKD 516,700.00.

On 26 February 2015, The Motor Transport Company of Guangdong and Hong Kong Limited, a subsidiary of the Group, entered into a freight transportation contracting agreement with Weisheng Fright Company Limited, under a contact term from 1 March 2015 to 31 December 2017, with a monthly agreed contracting fee of HKD 516,700.00. Disbursements incurred for the freight transportation service was paid by The Motor Transport Company of Guangdong and Hong Kong on behalf of Weisheng Fright Company Limited. As of 31 December 2015, the freight transportation outsourcing income of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 5,043,405.36 and RMB 16,661,746.93, totaling RMB 21,705,152.29.

For the year ended 31 December 2016, the freight transportation outsourcing income and disbursements of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 5,370,507.46 and RMB 11,337,326.24, totaling RMB 16,707,833.70.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties for the year *(Continued)*

The Group (Continued)

(h) Passenger transportation service outsourcing

On 30 July 2014, Weisheng Fright Company Limited entered into a passenger transportation contracting agreement with The Motor Transport Company of Guangdong and Hong Kong Limited. Pursuant to the agreement, Weisheng Transportation Enterprises Company Limited outsources its passenger transportation service to The Motor Transport Company of Guangdong and Hong Kong Limited under a contact term from 1 August 2014 to 28 February 2015 with a monthly agreed contracting fee of HKD 250,000.00.

On 26 February 2015, The Motor Transport Company of Guangdong and Hong Kong Limited, a subsidiary of the Group, entered into a passenger transportation contracting agreement with Weisheng Fright Company Limited, under a contact term from 1 March 2015 to 31 December 2017, with a monthly agreed contracting fee of HKD 250,000.00. Disbursements incurred for the passenger transportation service was paid by Weisheng Fright Company Limited on behalf of The Motor Transport Company of Guangdong and Hong Kong. As of 31 December 2015, the passenger transportation outsourcing fee of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 2,440,200.00 and RMB 7,128,977.10, totaling RMB 9,569,177.10 as at 31 December 2015.

For the year ended 31 December 2016, the passenger transportation outsourcing fee and disbursements of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 2,598,465.00 and RMB 11,626,520.27, totaling RMB 14,224,985.27.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

- (i) Entrusted management

	2016	2015
	RMB	RMB
Management fee income		
Yueyun Investment Management [#]	<u><u>7,662,000.00</u></u>	<u><u>7,662,000.00</u></u>

According to the Entrusted Management Contract between Guangdong Yueyun Transportation Company Limited and Yueyun Investment Management on 11 December 2015, Yueyun Investment Management fully entrusted Guangdong Yueyun Transportation Company Limited to manage its equity interest in Shenzhen Yueyun, Yangjiang Transportation and Meizhou Yueyun and to operate these three companies. The contracting period of entrusted management begins from 1 January 2016 to 31 December 2018, with annual management fee of RMB 7,662,000.00 in total. GVTG was delegated to handle the entrusted affairs due the subcontract among Yueyun Investment Management, Guangdong Yueyun Transportation Company Limited, and GVTG, in which the contracting period is effective from 1 January 2015 to 31 December 2015. The rights and obligations of Guangdong Yueyun Transportations Company Limited was transferred to GVTG. On 30 December 2015, Guangdong Yueyun Transportation Company Limited and Yueyun Investment Management entered into a supplemental contract to extend the contracting period to 31 December 2018, the annual management fee remains the same.

- (j) Trademark and route operation licenses

During the current year and last year, GVTG granted Shenzhen Yueyun, Yangjiang Transportation, Meizhou Yueyun and some associates with the trademark use right of "Yueyun" and certain route operation licenses at nil consideration.

- (k) Road and bridge tolls

The Group's subsidiaries which are engaged in transportation services paid road and bridge tolls to those road and bridge companies held by GCGC when providing transportation services. The road and bridge tolls are making and published by local government and price control department.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

- (l) Property management services

	2016	2015
	RMB	RMB
Yueyun Investment Management [#]	<u>8,554,691.81</u>	<u>7,956,717.29</u>

On 29 May 2014, Yueyun Investment Management entered into an agreement with Guangdong Yunxing Property Management Co., Ltd. ("Guangdong Yunxing"), a subsidiary of the Group to extend the period for property management to 31 December 2016.

- (m) Guarantees

On 28 September 2015, the Company issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB 400 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum. On 21 December 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB 380 million with a term of 5 years. Relevant interest is calculated and paid annually at a coupon rate of 3.58% per annum. In connection with the issuance of these bonds, GCGC provided an unconditional and irrevocable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

- (n) Purchase of assets in service zone

On 29 December 2015, Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Group, entered into a contract with Guangdong Expressway Company Limited to purchase a piece of land and buildings thereon owned by Guangdong Expressway Company Limited in Houmen Service Zone at a consideration of RMB 57,736,000.00. The effective date of the contract is 1 January 2016. On 10 January 2017, the transfer of the certificate title of such land and buildings in Houmen Service Zone is completed.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

(o) Conversion of PSCS

On 5 February 2016, the Company entered into a supplemental PSCS agreement with GCGC, whereby GCGC will execute the conversion of PSCS held by it with a principal amount of RMB 281,810,000.00. Taken into account of the diluted events such as capitalisation of share premium and distribution of profits, the adjusted conversion price is RMB 1.625333335 per share, and the number of shares to be converted is 173,385,000, and cash payment of RMB 1,580.00 will be made by the Company to GCGC at the adjusted conversion price to settle the remaining fractional shares. On 24 March 2016, upon the completion of the registration procedures, the PSCS was converted into the domestic shares of the Company, which resulted in an increase of share capital of the Company of RMB173,385,000.00. The difference of RMB108,423,420.00 between the principal amount of the PSCS and increase of share capital was recorded as share premium in capital reserve.

(p) Tickets selling services

The Group's subsidiaries which are engaged in transportation services entered into contracts with Guangdong Province Gongbei Vehicles Transportation Company Limited. Guangdong Province Gongbei Vehicles Transportation Company Limited provide tickets selling services to these subsidiaries with total amount of RMB1,073,993.00 in 2016.

(q) Amounts due from/to related parties

Caption	Related parties	As at 31 December 2016 RMB	As at 31 December 2015 RMB
Cash at bank and on hand	GCG Finance	50,252,470.02	—
Accounts receivable	Guangdong Xinyue Communications Investment Company Limited	55,653,027.44	55,653,027.44
	Guangdong Chao-Hui Expressway Company Limited	34,778,222.97	—
	Guangdong Yun-Wu Expressway Company Limited	25,650,029.33	25,650,029.37
	Guangdong Provincial Highway Construction Company Limited	12,209,662.67	—
	Guangdong Provincial Changda Highway Engineering Company Limited	10,722,762.20	11,181,518.80

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4 Significant transactions between the Group and its related parties for the year (Continued)

The Group (Continued)

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at 31 December 2016 RMB	As at 31 December 2015 RMB
Accounts receivable (Continued)	Guangdong Province Road & Bridge Construction Development Company Limited	9,727,490.74	1,688,689.04
	Guangdong Luo-Yang Expressway Company Limited	8,965,723.03	—
	Guangdong Guangle Expressway Company Limited	8,164,895.81	10,864,895.79
	Guangdong Provincial Freeway Company Limited	5,381,816.70	11,752,608.05
	Guangdong Bao-Mao Expressway Company Limited	5,095,115.28	24,358,318.25
	Guangdong Humen Bridge Company Limited	4,469,217.84	6,286,604.81
	Guangdong Ping-Xing Expressway Company Limited	4,404,175.69	7,528,043.61
	Zhaoqing City Guang-He Expressway Company Limited	3,073,496.55	2,953,119.10
	Guangdong Meihe Expressway Company Limited	1,622,093.97	1,622,093.97
	Guangzhou Xin Yue Asphalt Company Limited	1,083,667.84	1,615,596.27
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	1,081,817.48	12,150,210.25
	Guangzhou City Tianhe Coach Terminal Co., Ltd.	1,009,362.43	1,416,883.76
	Express Cross-Border Coach Management Company Limited	896,946.84	1,333,380.28
	Guangdong Bo-Da Expressway Company Limited	174,619.38	400,001.00
	Guangdong Zhaoyang Expressway Company Limited	126,672.08	2,017,351.27
	Guangdong Guangzhu Expressway West Section Company Limited	109,867.04	109,867.04
	Guangdong Ninghua Expressway Company Limited	—	7,473,395.92
	GCGC	—	1,200,000.00
	Others	3,469,068.85	3,662,760.21
	Total	197,869,752.20	190,918,394.23

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Accounts payable	Guangzhou Xin Yue Asphalt Company Limited	37,951,085.97	23,234,686.93
	Guangdong Provincial Freeway Company Limited	15,032,259.59	14,886,904.52
	Guangdong Fo-Kai Expressway Company Limited	8,240,166.69	6,222,166.69
	Guangdong Xinyue Communications Investment Company Limited	7,425,435.49	6,952,651.81
	Guang-Shen-Zhu Expressway Company Limited	7,163,555.12	7,975,950.71
	Guangdong Western Shen-Shan expressway Company Limited	5,312,970.13	2,343,157.82
	Guangdong Shanfen Expressway Company Limited	5,136,137.23	5,567,002.44
	Guangdong Yue Dong Freeway Industry Development Company Limited	4,160,000.00	4,264,964.93
	Guangdong Baomao Expressway Company Limited	2,200,408.64	—
	Guangdong Zhaoyang Expressway Company Limited	2,191,893.45	1,100,000.00
	Guangdong Provincial Changda Highway Engineering Company Limited	1,846,279.44	1,846,279.44
	Guangfo Expressway Company Limited	1,592,502.95	1,389,570.80
	Guangdong Ping-Xing Expressway Company Limited	1,264,900.00	—
	Zhaoqing Yuezhaoyang Expressway Company Limited	1,200,000.00	2,662.30
	Guangdong Kai Yang Expressway Company Limited	1,004,029.29	1,153,453.73
	Guangdong He-Hui Expressway Company Limited	940,911.55	1,104,186.95

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Accounts payable	Guangdong Guangye Yueyun Natural Gas Company Limited	819,429.92	855,307.64
(Continued)	Guangdong Province Road & Bridge Construction Development Company Limited	637,239.82	12,399,212.05
	Guangdong Bo-Da Expressway Company Limited	441,009.45	6,633,740.65
	Guangdong Guangle Expressway Company Limited	267,938.25	282,182.97
	Guangdong Meihe Expressway Company Limited	119,668.64	95,038.77
	Guangdong Guangzhu Expressway West Section Company Limited	60,009.00	81,730.70
	Guangdong Provincial Highway Construction Company Limited	—	14,268,836.22
	Jingzhu Expressway Guangzhu Section Company Limited	—	2,009,471.30
	Guangdong Yun-Wu Expressway Company Limited	—	58,748.04
	Others	3,739,745.67	4,019,737.19
	Total	108,747,576.29	118,747,644.60

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Prepayments	Guangdong Guangzhu Expressway West Section Company Limited	2,948,658.95	4,216,987.33
	Guangdong Guangfozhao Expressway Company Limited	2,000,000.00	—
	Guangdong Guangye Yueyun Natural Gas Company Limited	1,095,590.48	3,122,957.57
	Guangzhou Xin Yue Asphalt Company Limited	—	41,961,706.40
	Others	4,441,233.16	3,384,155.96
	Total	10,485,482.59	52,685,807.26
Advances from customers	Guangdong Ninghua Expressway Company Limited	4,999,999.99	—
	Guangdong Provincial Highway Construction Company Limited	2,856,143.81	42,820,289.98
	Guangdong Western Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	2,153,282.88
	Guangdong Provincial Freeway Company Limited	574,081.73	1,436,243.06
	Guangdong Luo-Yang Expressway Company Limited	—	25,687,266.37
	Guangdong Chao-Hui Expressway Company Limited	—	69,898,663.20
	Others	1,897,684.51	1,163,831.54
	Total	12,481,192.92	143,159,577.03

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Other receivables	Guangdong Xinyue Communications Investment Company Limited	13,456,749.84	13,685,749.84
	Kee Kwan Motor Road Company Limited	13,243,983.28	13,167,066.55
	Weisheng Transportation Enterprises Company Limited	11,495,552.44	3,685,123.35
	Yangjiang Transportation	10,644,241.50	10,649,599.98
	Guangdong Provincial Changda Highway Engineering Company Limited	4,666,177.49	5,649,788.07
	Shantou City Automobile Passenger Traffic Center Co., Ltd.	4,226,668.79	4,771,668.79
	Guangdong Province Road & Bridge Construction Development Company Limited	3,723,000.04	3,373,224.91
	Southern United Assets and Equity Exchange Company Limited	2,618,460.00	57,736,060.00
	Yueyun Investment Management	2,318,495.68	5,141,208.68
	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	1,752,957.48	1,752,957.48
	Kwong Fat Transport Company Limited	1,643,254.00	1,643,254.00
	Guangdong Guangzhu Expressway West Section Company Limited	1,542,000.00	3,331,138.88
	Kee Kwan Travel Tour Transportation Hong Kong Company Limited	1,467,812.01	1,467,812.01
	Jiangmen Guangjiang Expressway Passenger Company Limited	1,239,000.00	1,659,000.00
	Guangdong Province Gongbei Vehicles Transportation Company Limited	1,238,596.34	1,446,571.70
	Guang-Shen-Zhu Expressway Company Limited	1,108,137.25	1,178,734.31
	Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	1,081,223.65	1,137,547.55

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Other receivables	Guangdong Guangye Yueyun Natural Gas Co., Ltd.	1,000,000.00	1,068,264.55
(Continued)	Guangdong Maozhan Expressway Company Limited	1,000,000.00	1,000,000.00
	Shenzhen Yueyun	111,246.67	4,293,852.13
	Guangfo Expressway Company Limited	27,653.56	30,000.00
	Guangdong Litong Properties Investment Company Limited	—	1,382,256.00
	Guangzhou City Tianhe Coach Terminal Co., Ltd.	—	108,440.00
	Roadnet Innovalues Media		2,000,000.00
	Others	8,034,469.72	7,185,101.51
	Total	87,639,679.74	148,544,420.29
Other payables	GCGC	3,276,037.48	2,962,647.78
	Guangdong Xinyue Communications Investment Company Limited	1,338,468.45	1,707,233.72
	Weisheng Transportation Enterprises Company Limited	710,917.15	1,023,338.92
	Guangdong Guangzhu Expressway West Section Company Limited	33,700.00	1,749,067.60
	Guangdong Litong Properties Investment Company Limited	—	1,377,946.00
	Guangzhou Xin Yue Asphalt Company Limited	—	2,700,000.00
	Others	2,368,712.24	2,700,421.45
	Sub-total	7,727,835.32	14,220,655.47

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4 Significant transactions between the Group and its related parties for the year (Continued)

The Group (Continued)

(q) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Other payables– cash pool	Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	5,260,454.72	1,354,854.31
	Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	4,842,536.43	3,388,655.80
	Guangdong Province Bus Terminal Co., Ltd.	1,053,057.00	1,050,473.62
	Others	1,990.50	1,990.50
	Sub-total	<u>11,158,038.65</u>	<u>5,795,974.23</u>
	Total	<u>18,885,873.97</u>	<u>20,016,629.70</u>
Dividends payable	Guangdong Xinyue Communications Investment Company Limited	<u>2,780,436.84</u>	<u>2,780,436.84</u>
Long-term payables	Guangdong Traffic Development Company Limited	—	<u>1,668,740.00</u>
Other non-current assets	Guangdong Guangzhu Expressway West Section Company Limited	86,167,034.97	35,043,576.91
	Guangdong Guangfozhao Expressway Company Limited	48,000,000.00	—
	Guangzhou Tianhe Coach Terminal Co., Ltd.	9,600,000.00	9,600,000.00
	Total	<u>143,767,034.97</u>	<u>44,643,576.91</u>
Dividends receivable	Guangzhou Tianhe Coach Terminal Co., Ltd.	<u>2,433,240.64</u>	<u>2,785,352.51</u>

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

(r) Compensation for key management personnel

	2016	2015
	RMB	RMB
Compensation for key management personnel	<u>11,272,753.91</u>	<u>8,424,068.74</u>

The Company

The related party transactions between the Company and its subsidiaries are set out as follows. The significant related party transactions with other related parties are disclosed under Note VI. 4.

(1) Sales and purchase of goods, provision and receipt of services

	2016	2015
	RMB	RMB
Material logistics service income		
Guangdong South China Logistics Enterprise Company Limited	26,645,425.02	58,794,717.70
Guangdong Yueyun Jia Fu Industrial Ltd.	—	33,574,822.41
Total	<u>26,645,425.02</u>	<u>92,369,540.11</u>
Purchase of materials		
Guangdong South China Logistics Enterprise Company Limited	179,552,568.79	368,070,623.67
Yueyun Transportation (HK) Company Limited	72,493,537.57	165,053,880.92
Total	<u>252,046,106.36</u>	<u>533,124,504.59</u>

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(1) Sales and purchase of goods, provision and receipt of services (Continued)

	2016	2015
	RMB	RMB
Receipt of service		
Yueyun Transportation (HK) Company Limited	5,000,000.00	5,173,823.12
Guangdong Province Transportation Engineering Company Limited	2,065,778.94	1,529,328.00
Guangdong South China Logistics Enterprise Company Limited	1,817,178.47	3,452,416.14
Others	1,315,585.36	549,140.71
Total	10,198,542.77	10,704,707.97

The above transactions have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

(2) Expenses with related parties

	2016	2015
	RMB	RMB
Property management service expenses		
Guangdong Yunxing	1,701,816.00	1,701,816.00

The above transactions have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(3) Lending to related parties

Related parties	Annual interest rate	Opening Balance as at 1 January 2016 RMB	Additions during the year RMB	Repayments during the year RMB	Ending balance as at 31 December 2016 RMB	Period
GVTG	4.35%	—	200,000,000.00	—	200,000,000.00	12/05/2016~ 12/05/2017
GVTG	4.36%	—	60,000,000.00	—	60,000,000.00	29/01/2016~ 29/01/2017
GVTG	4.35%	300,000,000.00	—	(6,000,000.00)	294,000,000.00	22/11/2016~ 22/11/2017
Yueyun Transportation Technology Services (Guangzhou) Co., Ltd.	4.60%	18,000,000.00	—	—	18,000,000.00	23/03/2016~ 23/03/2017
Guangdong Province Transportation Engineering Company Limited	4.72%	7,500,000.00	—	—	7,500,000.00	21/09/2016~ 21/09/2017
Guangdong Province Transportation Engineering Company Limited	4.65%	3,000,000.00	—	—	3,000,000.00	20/05/2016~ 20/05/2017
Guangdong South China Logistics Enterprise Company Limited	4.60%	44,361,220.07	—	(44,361,220.07)	—	21/05/2016~ 20/09/2016

For details of interest income arising from the above lending, please refer to Note VI. 4.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(4) Interest income and interest expenses with related parties

	2016	2015
	RMB	RMB
Interest income		
GVTG	8,943,425.17	—
Yueyun Transportation (HK) Company Limited	798,809.21	2,185,610.97
Guangdong South China Logistics Enterprise Company Limited	1,141,580.94	6,878,310.55
Others	477,411.80	619,142.17
Total	11,361,227.12	9,063,921.52
Interest expenses		
GVTG	2,373,736.20	2,144,984.80
Guangdong Top-E Expressway Service Zone Company Limited	2,022,593.66	1,181,706.26
Guangdong South China Logistics Enterprise Company Limited	818,977.26	617,904.13
Guangdong New Way advertising Company Limited	159,199.69	136,798.10
Others	217,731.82	194,416.84
Total	5,592,238.63	4,275,810.13

Pursuant to the relevant agreements, the Company centrally manages the funds from relevant bank accounts (the “Cash Pool Accounts”) of certain subsidiaries. The funds received are recorded as “other payables” and bear the same interest rate as demand deposit. Please refer to Note VI. 4 (6) “Other payables-Cash pool” regarding related parties’ cash pool accounts information and the above regarding relevant interest expense.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(5) Entrusted management

	2016	2015
	RMB	RMB
Yueyun Investment Management	<u>7,662,000.00</u>	<u>7,662,000.00</u>

(6) Amounts due from/to related parties

Caption	Related parties	As at 31 December 2016	As at 31 December 2015
		RMB	RMB
Account receivables	Guangdong South China Logistics Enterprise Company Limited	124,990,723.37	31,548,116.11
	Yueyun Transportation (HK) Company Limited	1,471,080.88	1,471,080.88
	Guangdong Yueyun Jia Fu Industrial Ltd.	—	24,661,598.50
	Total	<u>126,461,804.25</u>	<u>57,680,795.49</u>
Account payables	Guangdong South China Logistics Enterprise Company Limited	152,711,663.36	31,257,485.34
	Guangdong Yueyun Jia Fu Industrial Ltd.	1,450,000.00	4,350,000.00
	Guangdong Province Transportation Engineering Company Limited	1,155,000.00	—
	Total	<u>155,316,663.36</u>	<u>35,607,485.34</u>

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Company (Continued)

(6) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Other receivables	GVTG	559,529,823.54	306,383,964.83
	Guangdong Province Transportation Engineering Company Limited	51,450,015.00	51,564,242.40
	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	21,015,879.46	20,200,610.97
	Guangdong South China Logistics Enterprise Company Limited	9,868,501.72	53,732,372.77
	Yueyun Transportation (HK) Company Limited	2,499,472.25	2,125,889.31
	The Motor Transport Company of Hongkong	51,401.15	1,455,009.84
	Others	—	840,000.00
	Total	644,415,093.12	436,302,090.12
Other payables	Guangdong New Way Advertising Company Limited	1,126,608.50	—
	Guangdong Top-E Expressway Service Zone Company Limited	1,103,333.33	—
	GVTG	564,512.93	1,302,016.87
	Others	91,862.00	931,320.33
	Sub-total	2,886,316.76	2,233,337.20

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Company (Continued)

(6) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		31 December 2016 RMB	31 December 2015 RMB
Other payables	Guangdong Top-E Expressway Service Zone Company Limited	221,322,979.48	339,548,929.95
	– Cash pool GVTG	388,053,160.79	331,532,995.56
	Guangdong South China Logistics Enterprise Company Limited	308,338,825.08	331,465,152.01
	Guangdong New Way advertising Company Limited	46,511,426.88	50,383,090.19
	Jindaoda	45,557,988.01	47,389,013.84
	Guangdong Tongyi Landscape Co., Ltd.	14,017,575.51	13,483,128.77
	Guangdong Province Transportation Engineering	4,026,043.35	3,273,811.54
	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	1,205,983.61	1,119,847.26
	Sub-total	1,029,033,982.71	1,118,195,969.12
	Total	1,031,920,299.47	1,120,429,306.32
Dividends receivable	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	1,023,000.00	1,023,000.00
Bills payable	Guangdong South China Logistics Enterprise Company Limited	—	5,000,000.00

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel

The total compensation for the key management personnel this year is RMB 11,272,753.91 (2015: RMB 8,424,068.74).

Compensation for the directors and supervisors are as below:

Title and name	Note	2016			Total RMB	
		Board expenses RMB	Basic Salaries and other allowances			Retirement plan contributions RMB
			RMB	RMB		
Executive Director, Chairman of the Board Xuan Zongmin	(2)	—	726,524.14	59,042.01	785,566.15	
Executive Director, General Manager Tang Yinghai	(3)	—	653,510.14	57,715.65	711,225.79	
Executive director, Deputy general manager Yao Hanxiong	(4)	—	625,493.53	53,776.69	679,270.22	
Executive Director, Deputy General Manager Fei Dachuan	(5)	—	624,493.53	53,836.07	678,329.60	
Executive Director Guo Junfa		—	933,115.00	—	933,115.00	
Independent non-executive Director Gui Shouping		—	60,000.00	—	60,000.00	
Independent non-executive Director Lu Zhenghua	(6)	—	33,833.00	—	33,833.00	

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel (Continued)

Title and name	Note	2016			Total RMB
		Board expenses	Basic Salaries and other allowances	Retirement plan contributions	
		RMB	RMB	RMB	
Independent non-executive Director					
Peng Xiaolei		—	60,000.00	—	60,000.00
Independent non-executive Director					
Jin Wenzhou		—	60,000.00	—	60,000.00
Independent non-executive Director					
Liu Shaobo	(7)	—	26,167.00	—	26,167.00
Supervisor					
Du Wanyan	(8)	—	268,766.19	39,155.37	307,921.56
Supervisor					
Li Xiangrong	(9)	—	270,562.13	38,908.65	309,470.78
Supervisor					
Zhen Jianhui	(10)	—	310,264.88	41,593.65	351,858.53
Supervisor					
Zhang Linian	(11)	—	326,736.44	41,096.97	367,833.41
Supervisor					
Zhang Anli	(12)	—	267,590.67	33,709.70	301,300.37
Independent Supervisor					
Dong Yihua	(13)	—	27,066.67	—	27,066.67
Independent Supervisor					
Lin Hai	(14)	—	27,066.67	—	27,066.67
Independent Supervisor					
Bai Hua	(15)	—	20,933.33	—	20,933.33
Independent Supervisor					
Lu Zhenghua	(16)	—	20,933.33	—	20,933.33

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(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4 Significant transactions between the Group and its related parties for the year (Continued)

The Company (Continued)

(7) Compensation for key management personnel (Continued)

Title and name	Note	2015			Total RMB
		Board	Basic Salaries and	Retirement plan	
		expenses RMB	other allowances RMB	contributions RMB	
Executive Director, Chairman of the Board Xuan Zongmin	(2)	—	657,591.14	56,310.74	713,901.88
Executive Director, General Manager Tang Yinghai	(3)	—	629,667.91	52,555.05	682,222.96
Executive Director, Deputy General Manager Yao Hanxiong	(4)	—	550,742.50	49,759.01	600,501.51
Executive Director, Deputy General Manager Fei Dachuan	(5)	—	550,992.50	50,079.63	601,072.13
Executive Director Guo Junfa		—	858,970.00	—	858,970.00
Independent non-executive Director Gui Shouping		—	60,000.00	—	60,000.00
Independent non-executive Director Liu Shaobo	(7)	—	60,000.00	—	60,000.00
Independent non-executive Director Peng Xiaolei		—	60,000.00	—	60,000.00

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel (Continued)

Title and name	Note	2015			Total RMB
		Board expenses	Basic Salaries and other allowances	Retirement plan contributions	
		RMB	RMB	RMB	
Independent non-executive Director					
Jin Wenzhou		—	60,000.00	—	60,000.00
Supervisor					
Li Hui		—	313,690.20	40,408.36	354,098.56
Supervisor					
Zhang Anli	(12)	—	219,186.08	26,149.19	245,335.27
Supervisor					
Zhen Jianhui	(10)	—	293,257.64	39,437.83	332,695.47
Independent Supervisor					
Bai Hua	(15)	—	48,000.00	—	48,000.00
Independent Supervisor					
Lu Zhenghua	(6)	—	48,000.00	—	48,000.00
Independent Supervisor					
Zhang Linian	(11)	—	283,901.85	38,117.00	322,018.85

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties for the year *(Continued)*

The Company (Continued)

(7) Compensation for key management personnel *(Continued)*

(1) The compensation for the following key management personnel are not paid by the Company:

2016: non-executive Director Mr. Liu Hong (Note 16), non-executive Director Mr. Chen Min (Note 17), non-executive Director Mr. Li Bin.

2015: non-executive Director Mr. Liu Hong (Note 16), non-executive Director Mr. Li Bin, Supervisor and Chairman of the Board of Supervisors Mr. Ling Ping, Supervisor Ms. Li Haihong.

(2) The salaries of Mr. Tang Yinghai included his salaries as both of executive Director and general manager.

(3) The salaries of Mr. Xuan Zongming included his salaries as both of executive Director and Chairman of the Board.

(4) The salaries of Mr. Yao Hanxiong included his salaries as both of executive Director and deputy general manager of the Company.

(5) The salaries of Mr. Fei Dachuan included his salaries as both of executive Director and deputy general manager of the Company.

(6) Ms. Lu Zhenghua's position was changed from independent Supervisor to independent non- executive Director in June 2016.

(7) Mr. Liu Shaobo left the position as independent non- executive Director in June 2016.

(8) Ms. Du Wanyan became Supervisor in June 2016, and left the position in January 2017.

(9) Ms. Li Xiangrong became Supervisor in June 2016.

(10) Mr. Zhen Jianhui became Supervisor in June 2014.

(11) Ms. Zhang Linian became Supervisor in April 2015, and left the position in June 2016.

(12) Ms. Zhang Anli became Supervisor in April 2014, and left the position in June 2016.

(13) Mr. Dong Yihua became independent Supervisor in June 2016.

(14) Mr. Lin Hai became independent Supervisor in June 2016.

(15) Mr. Bai Hua became independent Supervisor in June 2012, and left the position in June 2016.

(16) Mr. Liu Hong became non- executive Director in April 2014, and left the position in June 2016.

(17) Mr. Chen Min became non- executive Director in June 2016.

During the year, the Group and the Company have neither made any payments that served as a motivation for Directors to join, nor paid any compensation for Director's resignation.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel (Continued)

Apart from the above directors and supervisors, the compensation for other key management personnel of the Company is as follows:

	2016	2015
	RMB	RMB
Other key management personnel	<u>5,510,862.50</u>	<u>3,377,252.09</u>

Note: Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the entity, including director, general manager, chief accountant, financial director, vice general managers taking charge of each business unit, and personnel who perform similar strategic functions. The CEO of the Company is general manager.

Two (2015: Four) of the Group's top five highest paid people are directors. The compensation for the remaining three (2015: one) is as follows:

	2016	2015
	RMB	RMB
Basic salaries and other allowances	2,094,226.08	770,722.64
Retirement plan contributions	<u>113,063.40</u>	<u>55,177.80</u>
Total	<u>2,207,289.48</u>	<u>825,900.44</u>

One individual's emolument of the top five individuals was between HKD 1 million to HKD 1.5 million in 2016 and 2015. The each emolument of the remaining four individuals was below HKD 1 million in 2016 and 2015.

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VII. COMMITMENTS

(1) Capital commitments

The Group

	2016 RMB	2015 RMB
Capital commitments that have been entered into but have not been recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	25,909,392.59	84,911,537.24
Capital commitments that have been approved but have not been entered into	<u>257,348,873.00</u>	<u>24,421,600.00</u>
Total	<u><u>283,258,265.59</u></u>	<u><u>109,333,137.24</u></u>

The Company

	2016 RMB	2015 RMB
Capital commitments that have been approved but have not been entered into	<u>540,000.00</u>	<u>1,800,000.00</u>

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the operating rights of service zones, properties and the advertising facilities are as follows:

The Group

	2016 RMB	2015 RMB
Within 1 year (inclusive)	128,052,356.89	106,939,636.62
After 1 year but within 2 years (inclusive)	104,255,199.92	95,252,049.42
After 2 years but within 3 years (inclusive)	102,084,401.58	72,737,052.96
After 3 years	<u>1,282,971,790.14</u>	<u>876,841,913.52</u>
Total	<u><u>1,617,363,748.54</u></u>	<u><u>1,151,770,652.52</u></u>

VII. COMMITMENTS (Continued)**(2) Operating lease commitments** (Continued)*The Company*

	2016	2015
	RMB	RMB
Within 1 year (inclusive)	5,292,123.00	4,019,247.00
After 1 year but within 2 years (inclusive)	5,292,123.00	615,615.00
After 2 years but within 3 years (inclusive)	5,292,123.00	615,615.00
After 3 years	3,334,581.25	3,642,388.75
Total	19,210,950.25	8,892,865.75

VIII. OTHER SIGNIFICANT MATTERS**1 Risk analysis and sensitivity analysis to financial instruments**

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

VIII. OTHER SIGNIFICANT MATTERS *(Continued)*

1 Risk analysis and sensitivity analysis to financial instruments *(Continued)*

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. Normally, the Group does not obtain collateral from customers.

The credit losses of the Group's customers have occurred infrequently. In monitoring customer credit risk, customers are grouped according to some factors, such as maturity date.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 27.90% and 76.93% (2015: 27.67% and 67.43%) of the total accounts receivable and other receivables were due from the five largest customers of the Group and the Company, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Except for providing a counter guarantee to GCGC by the Guang Shen Zhu Expressway Taiping Interchange franchise operating rights, the Group and the Company does not provide any other guarantees which would expose the Group and the Company to credit risk.

VIII. OTHER SIGNIFICANT MATTERS (Continued)

1 Risk analysis and sensitivity analysis to financial instruments (Continued)

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2016 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Short-term loans	(46,324,937.50)	—	—	(46,324,937.50)	(45,000,000.00)
Bills payable	(462,401,913.99)	—	—	(462,401,913.99)	(462,401,913.99)
Accounts payable and other payables	(1,248,561,590.59)	—	—	(1,248,561,590.59)	(1,248,561,590.59)
Taxes payable	(133,486,660.35)	—	—	(133,486,660.35)	(133,486,660.35)
Employee benefits payable	(164,711,518.41)	—	—	(164,711,518.41)	(164,711,518.41)
Interest payable	(5,095,378.31)	—	—	(5,095,378.31)	(5,095,378.31)
Non-current liabilities due within one year	(82,250,821.90)	—	—	(82,250,821.90)	(80,219,176.87)
Dividends payable	(29,684,164.21)	—	—	(29,684,164.21)	(29,684,164.21)
Long-term loans	—	(210,032,275.39)	(58,359,400.00)	(268,391,675.39)	(232,425,730.93)
Bonds payable	(30,404,000.00)	(488,012,000.00)	(412,600,000.00)	(931,016,000.00)	(774,170,794.08)
Long-term payables	—	(120,341,361.80)	(14,163,292.21)	(134,504,654.01)	(127,549,528.79)
Long-term employee benefits payable	—	(23,120,344.52)	(200,345,887.65)	(223,466,232.17)	(162,139,949.06)
Total	<u>(2,202,920,985.26)</u>	<u>(841,505,981.71)</u>	<u>(685,468,579.86)</u>	<u>(3,729,895,546.83)</u>	<u>(3,465,446,405.59)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

VIII. OTHER SIGNIFICANT MATTERS (Continued)

1 Risk analysis and sensitivity analysis to financial instruments (Continued)

(2) Liquidity risk (Continued)

The Group (Continued)

	2015 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Short-term loans	(148,364,865.53)	—	—	(148,364,865.53)	(126,200,000.00)
Bills payable	(215,860,076.38)	—	—	(215,860,076.38)	(215,860,076.38)
Accounts payable and other payables	(1,462,320,378.99)	—	—	(1,462,320,378.99)	(1,462,320,378.99)
Taxes payable	(132,105,537.30)	—	—	(132,105,537.30)	(132,105,537.30)
Employee benefits payable	(159,510,179.61)	—	—	(159,510,179.61)	(159,510,179.61)
Interest payable	(5,129,843.86)	—	—	(5,129,843.86)	(5,129,843.86)
Non-current liabilities due within one year	(131,047,251.63)	—	—	(131,047,251.63)	(112,231,737.67)
Dividends payable	(17,584,988.32)	—	—	(17,584,988.32)	(17,584,988.32)
Long-term loans	—	(284,858,060.79)	—	(284,858,060.79)	(256,438,897.89)
Bonds payable	(30,404,000.00)	(501,616,000.00)	(446,200,000.00)	(978,220,000.00)	(773,068,638.74)
Long-term payables	—	(29,891,114.87)	(19,045,075.05)	(48,936,189.92)	(48,382,786.48)
Long-term employee benefits payable	—	(22,014,320.69)	(207,295,007.44)	(229,309,328.13)	(175,568,228.12)
Total	<u>(2,302,327,121.62)</u>	<u>(838,379,496.35)</u>	<u>(672,540,082.49)</u>	<u>(3,813,246,700.46)</u>	<u>(3,484,401,293.36)</u>

VIII. OTHER SIGNIFICANT MATTERS (Continued)

1 Risk analysis and sensitivity analysis to financial instruments (Continued)

(2) Liquidity risk (Continued)

The Company

	2016 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Bills payable	(92,189,797.25)	—	—	(92,189,797.25)	(92,189,797.25)
Accounts payable and other payables	(1,283,976,404.65)	—	—	(1,283,976,404.65)	(1,283,976,404.65)
Employee benefits payable	(18,170,696.86)	—	—	(18,170,696.86)	(18,170,696.86)
Taxes payable	(13,268,044.80)	—	—	(13,268,044.80)	(13,268,044.80)
Interest payable	(4,729,044.48)	—	—	(4,729,044.48)	(4,729,044.48)
Bonds payable	(30,404,000.00)	(488,012,000.00)	(412,600,000.00)	(931,016,000.00)	(774,170,794.08)
Total	<u>(1,442,737,988.04)</u>	<u>(488,012,000.00)</u>	<u>(412,600,000.00)</u>	<u>(2,343,349,988.04)</u>	<u>(2,186,504,782.12)</u>

	2015 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Bills payable	(55,631,886.38)	—	—	(55,631,886.38)	(55,631,886.38)
Accounts payable and other payables	(1,298,050,804.07)	—	—	(1,298,050,804.07)	(1,298,050,804.07)
Employee benefits payable	(20,128,116.63)	—	—	(20,128,116.63)	(20,128,116.63)
Taxes payable	(8,436,988.97)	—	—	(8,436,988.97)	(8,436,988.97)
Interest payable	(4,577,888.89)	—	—	(4,577,888.89)	(4,577,888.89)
Bonds payable	(30,404,000.00)	(501,616,000.00)	(446,200,000.00)	(978,220,000.00)	(773,068,638.74)
Total	<u>(1,417,229,684.94)</u>	<u>(501,616,000.00)</u>	<u>(446,200,000.00)</u>	<u>(2,365,045,684.94)</u>	<u>(2,159,894,323.68)</u>

VIII. OTHER SIGNIFICANT MATTERS (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)(3) *Interest rate risk*

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

(a) As at 31 December, the following interest-bearing financial instruments were held:

The Group

Fixed rate instruments:

	2016		2015	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Short-term loans	4.35%	(20,000,000.00)	5.60% - 6.00%	(76,300,000.00)
– Long-term loans	4.75%	<u>(6,601,642.03)</u>	6.15% - 7.50%	<u>(7,598,235.11)</u>
Total		<u><u>(26,601,642.03)</u></u>		<u><u>(83,898,235.11)</u></u>

Variable rate instruments:

	2016		2015	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial assets				
– Cash at bank	0.35%	1,588,693,313.42	0.35%	1,915,598,580.92
Financial liabilities				
– Short-term loans (Note)	4.13%-4.35%	(25,000,000.00)	5.60%	(49,900,000.00)
– Long-term loans	4.51%-4.90%	<u>(271,171,089.53)</u>	4.75%-8.30%	<u>(318,323,034.72)</u>
Total		<u><u>1,292,522,223.89</u></u>		<u><u>1,547,375,546.20</u></u>

Note: The interest rates of short-term loans held by the Group are same as the benchmark loan interest rates announced by the People's Bank of China at the drawdown dates of the loans and are adjusted annually.

The Company

Variable rate instruments:

	2016		2015	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial assets				
– Cash at bank	0.35%	<u><u>1,109,152,027.77</u></u>	0.35%	<u><u>1,381,280,290.59</u></u>

VIII. OTHER SIGNIFICANT MATTERS (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)

(3) Interest rate risk (Continued)

(b) Sensitivity analysis

As at 31 December, it is estimated that a general increase of 25 basis points in interest rates, with all other variables held constant, would increase the equity and net profit of the Group and the Company:

	The Group		The Company	
	2016 RMB	2015 RMB	2016 RMB	2015 RMB
Equity	2,423,479.17	2,901,329.15	2,079,660.05	2,589,900.54
Net profit	2,423,479.17	2,901,329.15	2,079,660.05	2,589,900.54

As at 31 December, it is estimated that a general decrease of 25 basis points in interest rates, with all other variables held constant, would lead to a same amount but reverse change with it is mentioned about to equity and net profit of the Company.

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group or the Company at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

VIII. OTHER SIGNIFICANT MATTERS (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)(4) *Foreign currency risk*

The functional currency of the Group's Hong Kong subsidiaries is HKD, while, it is RMB for the Group's other subsidiaries. In respect of cash at bank and on hand, accounts receivable and payable, short-term loans and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

The Group

	2016			2015		
	RMB	USD	HKD	RMB	USD	HKD
Cash at bank and on hand	45,334,662.68	13,423,296.10	3,313.26	130,500,790.21	9,086,637.33	3,453,648.66
Accounts receivable	6,408,667.16	—	—	9,112,179.83	—	—
Other receivables	3,900,663.79	—	—	33,708,512.34	—	495,055.60
Prepayments	1,843,433.26	—	—	—	—	—
Accounts payable	(24,428,108.18)	—	—	(20,049,299.63)	—	—
Other payables	(3,108,918.12)	—	—	(20,964,913.40)	—	(3,667,682.88)
Advances from customers	(56,203.85)	—	—	—	—	—
Gross balance sheet exposure	<u>29,894,196.74</u>	<u>13,423,296.10</u>	<u>3,313.26</u>	<u>132,307,269.35</u>	<u>9,086,637.33</u>	<u>281,021.38</u>

There were no assets and liabilities denominated in foreign currencies for the Company as at 31 December 2016 and 31 December 2015.

VIII. OTHER SIGNIFICANT MATTERS (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)

(4) Foreign currency risk (Continued)

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2016	2015	2016	2015
RMB	1.0000	1.0000	1.0000	1.0000
USD	6.7153	6.1795	6.9370	6.4936
HKD	0.8661	0.8133	0.8945	0.8378

(c) Sensitivity analysis

- (i) For subsidiaries adopt RMB as functional currency, assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and HK dollar at 31 December would have increased/(decreased) the Group's and the Company's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the year-end date:

As at 31 December 2016

	Equity		Net profit	
	The Group	The Company	The Group	The Company
USD	(503,372.89)	—	(503,372.89)	—
HKD	(124.12)	—	(124.12)	—
Total	<u>(503,497.01)</u>	<u>—</u>	<u>(503,497.01)</u>	<u>—</u>

As at 31 December 2015

	Equity		Net profit	
	The Group	The Company	The Group	The Company
USD	(340,748.90)	—	(340,748.90)	—
HKD	(10,538.30)	—	(10,538.30)	—
Total	<u>(351,287.20)</u>	<u>—</u>	<u>(351,287.20)</u>	<u>—</u>

A 5% weakening of the Renminbi against the US dollar and HK dollar at 31 December would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

VIII. OTHER SIGNIFICANT MATTERS (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)

(4) Foreign currency risk (Continued)

(c) Sensitivity analysis (Continued)

- (ii) For subsidiaries adopt HKD as functional currency, assuming all other risk variables remained constant, a 5% strengthening of the HK dollar against the RMB at 31 December would have increased/(decreased) the Group's and the Company's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the year-end date:

As at 31 December 2016

	Equity		Net profit	
	The Group	The Company	The Group	The Company
RMB	<u>1,121,032.38</u>	<u>—</u>	<u>1,121,032.38</u>	<u>—</u>

As at 31 December 2015

	Equity		Net profit	
	The Group	The Company	The Group	The Company
RMB	<u>4,961,522.60</u>	<u>—</u>	<u>4,961,522.60</u>	<u>—</u>

A 5% weakening of the HK dollar against RMB at 31 December would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements denominated in foreign currency. The analysis is performed on the same basis for the previous year.

VIII. OTHER SIGNIFICANT MATTERS (Continued)**2 Fair value disclosure**

- (i) Fair value measurement of assets and liabilities measured at fair value at the end of the year

As at 31 December 2016 and 31 December 2015, the Group and the Company did not have financial instruments carried at fair value.

- (ii) Fair value of other financial instruments (items not measured at fair value at the end of the year)

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2016 and 2015.

3 Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders. The Group's capital structure is regularly reviewed and managed to maintain a health net debt-to-capital ratio. The Group's net debt is defined as total debt minus cash at bank and on hand. Shareholders' equity represents equity attributable to shareholders of the Company presented in statement of changes in shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or fund new borrowings to decrease liability.

Cash at bank and on hand and liabilities as at 31 December is as follows:

	Note V	2016 RMB	2015 RMB
Cash at bank and on hand	1	1,604,382,476.44	1,933,761,604.87
Less: Short-term loans	21	45,000,000.00	126,200,000.00
Long-term loans within one year	30	45,347,000.63	69,482,371.94
Long-term loans	31	232,425,730.93	256,438,897.89
Bonds payable	32	774,170,794.08	773,068,638.74
Total loans		1,096,943,525.64	1,225,189,908.57
Net cash at bank and on hand		507,438,950.80	708,571,696.30

VIII. OTHER SIGNIFICANT MATTERS *(Continued)*

4 Post balance sheet date events

Payment of cash dividends of ordinary shares proposed after the balance sheet date On 13 March 2017, the Board of Directors approved to recommend distribution of final dividend of 2016 of the Company of RMB 0.13 before tax per share, totalling RMB 103,980,214.00, calculated based on the total number of shares of 799,847,800.00 of the Company as of 31 December 2016. Such cash dividends are not recognised as a liability at the balance sheet date.



廣東粵運交通股份有限公司

Guangdong Yueyun Transportation Company Limited