



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)



2015
INTERIM REPORT

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking information and/or information that is not based on historical data and uses forward-looking expressions such as "anticipate", "believe", "intend", "could", "expect", "estimate", "may", "ought to", "should" or "will". Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. Unless required by regulatory authorities otherwise, the Group is not obliged or liable to update those forward-looking statements hereafter.

Company Profile

Guangdong Yueyun Transportation Company Limited (the "Company") and its subsidiaries (collectively, the "Group") are the leading integrated transportation and logistics service provider in Guangdong Province, the People's Republic of China (the "PRC") and are principally engaged in (1) motor vehicle transportation and auxiliary services, mainly including transportation services within Guangdong Province, interprovincial transportation services and cross border transportation services between Hong Kong and Guangdong Province as well as traffic rescue; (2) material logistics services, mainly including the management of materials logistics for expressways and other sizable infrastructure projects; (3) expressway service zone operation and related auxiliary services, mainly including the relevant expressway service zone-related business, such as operating food and beverage networks, convenience stores, gas stations, vehicle repairs and outdoor advertising for expressways; and (4) operation of and toll collection for Tai Ping Interchange of Guangzhou-Shenzhen-Zhuhai Expressway (the "Tai Ping Interchange").

The controlling shareholder of the Company is Guangdong Provincial Communication Group Company Limited ("GCGC"), a state-owned enterprise established in the PRC.

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

Liu Hong
Li Bin

Independent Non-Executive Directors

Gui Shouping
Liu Shaobo
Peng Xiaolei
Jin Wenzhou

JOINT COMPANY SECRETARIES

Zhang Li
Kwok Siu Man

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Financial Highlights

	For the six months ended 30 June 2015 RMB'000	For the six months ended 30 June 2014 RMB'000	Change
Results highlights			
Revenue			
Motor vehicle transportation and auxiliary services	1,491,053	1,144,399	30%
Material logistics services	1,926,065	2,846,982	(32%)
Expressway service zones	389,428	312,510	25%
Tai Ping Interchange	90,026	82,933	9%
Others	2,577	1,545	67%
Total revenue	3,899,149	4,388,369	(11%)
Gross Profit			
Motor vehicle transportation and auxiliary services	390,500	262,892	49%
Material logistics services	75,290	91,424	(18%)
Expressway service zones	112,279	67,994	65%
Tai Ping Interchange	76,980	72,178	7%
Others	1,163	943	23%
Total gross profit	656,212	495,431	32%
Business tax and levies	(31,228)	(33,919)	(8%)
Selling and administrative expenses	(361,079)	(285,024)	27%
Finance expenses	(29,760)	(32,439)	(8%)
Impairment losses on assets	1,598	(3,669)	(144%)
Investment income	7,523	2,438	209%
Operating profit	243,266	142,818	70%
Non-operating income and expenses	44,327	60,505	(27%)
Total profit	287,593	203,323	41%
Income tax expenses	(87,632)	(53,144)	65%
Net profit	199,961	150,178	33%
Profit and loss attributable to minority interests	(56,567)	(46,492)	22%
Net profit attributable to Shareholders of the Company	143,394	103,686	38%
Basic earnings per share (RMB)	0.34	0.24	42%

Financial Highlights

	30 June 2015 RMB'000	31 December 2014 RMB'000	Change
Results highlights			
Total assets	7,144,204	6,753,080	6%
Total net assets	2,876,309	2,711,903	6%
Equity attributable to Shareholders of the Company	1,746,009	1,661,125	5%
Net assets per share attributable to Shareholders of the Company (RMB)	4.18	3.98	5%
	For the six months ended 30 June 2015	For the six months ended 30 June 2014	
Ratios			
Gross profit margin (%)	16.83%	11.29%	
Interest coverage ratio (times)	9.48	6.88	
	30 June 2015	31 December 2014	
Gearing ratio (%)	59.74%	59.84%	
Current ratio (times)	0.95	0.97	

Gross profit margin = Gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

Chairman's Statement

In the first half of 2015, against global economic depression and domestic economic decline, the PRC government maintained its practice that advances steadily to guide economic development towards "new normal", with focus on improving economic efficiency, structural adjustment and change in growth pattern. The government devoted itself to proceed further with the reform and opening, thus motivating market vitality and promoting the improvement of people's livelihood. Facing the "new normal", the Group implemented its annual "Yueyun E+" plan where information-based means are employed to facilitate transformation and upgrade of traditional businesses. A shared platform, which converges "three networks" including passenger terminals, passenger transportation routes and expressway service zone, will be established to develop ticketing business through WeChat platform. In addition, express small freight business will be consolidated and improved and corporate governance and incentive mechanism will be further refined. With that, the Group aimed to increase its capital operation ability, achieve steady operating efficiency growth and constantly enhance its core competitive edges.

I hereby present the review of the operations of the Group for the first six months of 2015 and the outlook of our future development.

BUSINESS OVERVIEW

The Group strengthened the reclamation and self-operation of contracted vehicles and strongly expanded the rural passenger transportation market, in an effort to establish its transportation network integrating "passenger transportation routes, urban public transport, rural passenger transportation, taxis and passenger terminal. Control over terminals of each segment market was enhanced to withstand the impact of railway transport. As thus, the Group realised a stable increase in the passenger traffic and passenger turnover. Meanwhile, the Group solidly implemented "Internet + Transportation" development strategy by building and promoting "Yueyun Transport (粵運交通)" WeChat Public Platform, exploring franchising model of express small freight business and building information system platform, which are designated to facilitate the transformation and upgrade of traditional passenger transport industry.

The Group continued to firmly grasp the development opportunity brought by the new round of highway construction in the Guangdong Province, well arranged the materials supply of the projects of GCGC, and proactively developed material supply business for large infrastructure projects not undertaken by GCGC, including Guangzhou Subway Lines. The Group also facilitated the examination and acceptance of Dongguan wharf phase II project, and carried out preliminary feasibility studies for development of logistics parks with the purpose of transforming its logistics business, so as to support the business segment to grow strong.

The Group formulated a unified planning for high value-added service zones to implement resource development plan of the service zones. The strategic planning work for new energies was carried out to explore oil, gas and electricity terminal business which will be self-established and self-operated by the service zones. The Group worked out "strategic planning and design proposal of Yueyun retail business" and promoted "LOYEE" convenience stores to enter into passenger terminals, which realised the synergies between online and offline operation of convenience stores. In view of market demands, the Group developed new operating patterns supplementary to the service zones through the first introduction of "Qing Qing Ting (輕輕停)" project to the expressway service zones, which provided one-stop accommodation services that are casual, comfortable and convenient for customers. The Group steadily progressed with the exploitation of outdoor advertisement media resources, focused on developing new

media along expressways such as gantries and overpass bridges, sought to integrate passenger media resources of long distance routes, passenger terminals and urban public transport. The purpose is to build a comprehensive media platform that is unique for "Yueyun".

Tai Ping Interchange toll business of the Group maintained a stable growth, continuing to bring the Group with good cash flow.

The Group continued to enhance market value management, and concentrated on communicating with investors by way of results roadshow, on-site inspection, conference call and media report, further delivering its investment highlights and value. With these efforts, the Group was, in the first half of 2015, admitted to MSCI China Small Cap Index constituent stocks by Morgan Stanley Capital International.

OUTLOOK AND PROSPECTS

During the second half of 2015, despite the fact that the PRC economy is expected to stabilise, lingering market downturn may still bring some challenges to the development of Group's business. However, with constant advancing of mixed ownership reform, the Group will get more space for the development of its "Acquisition-Consolidation-Growth" model. Meanwhile, Guangdong Province's new round of highway construction, as well as industrial transformation and upgrade attributable to "Internet +", will provide precious opportunities for the development of existing businesses and the exploration of new businesses of the Group. Based on the "Yueyun E +" plan with resource optimization and integration as the direction, the Group will speed up the development of the "YUEYUN LOYEE" retail terminals to build the marketing network combining convenience stores, networking ticketing, small items express and other businesses to realize integration and sharing of the "three networks" of passenger terminals, passenger routes and expressway service zones for acceleration of business transformation and upgrade.

The main business objectives for the Group in the second half of 2015 are as follows:

Motor vehicle transportation and auxiliary service

1. To understand the dynamic status of the industry and to continue negotiation for cooperation with potential enterprises in line with its "Acquisition- Consolidation-Growth" development model.
2. To well arrange information-based overall planning in the concept of "Internet +" to promote deep integration of traditional passenger transport business with the Internet, to further improve the WeChat ticketing system for effective collection and mining of market data and innovation of services contents, to further accelerate construction of level 1 information system platform of small items express, and to sign franchise contracts for small items express business with previously franchised units, and to promote the development of mobile internet application for cross-border networking ticketing system.

Chairman's Statement

3. To consolidate newly acquired projects under the "Five Unifications" (That is, unified technical standards, unified management rules, unified procurement, unified vehicle maintenance and unified road insurance) management model, continue to enhance the reclamation and self-operation of contracted vehicles, expand the rural passenger transportation market, promote construction and commercial development of passenger terminals, so as to further improve the integrated transportation network system and enhance competitive differentiation for withstanding the impact of railway transport.
4. To communicate well with government authorities to facilitate examination and approval on Guangdong-to-Hong Kong Direct Link Terminal project of Leiliu Service Zone.
5. To explore business development direction and conduct feasibility studies on establishment of wholly-owned enterprises in the Guangdong Free Trade Area leveraging favorable policies thereof.

Material logistics services

1. To increase management efficiency through proper management of the material supply for expressway construction projects of GCGC and proactively develop material supply business for large infrastructure projects not undertaken by GCGC.
2. To accelerate to full extent examination and acceptance of Dongguan wharf phase II project.
3. To carry out preliminary stage studies on and demonstration for the integrated logistics park project.
4. To approach advanced domestic and foreign logistics enterprises proactively to seek opportunities for collaboration development and create new profit growth drivers.

Expressway service zones

1. To arrange well functional positioning, business planning, attracting merchants and operation preparation of new service zones by taking consideration of feature of highway sections, location of service zones, type of vehicles and traffic.
2. To continually push up business transformation of key service zones and "Qing Qing Ting (輕輕停)" convenient accommodation projects at service zones and introduce more quality partners to improve business formats and commercial value of service zones.
3. To carry on planning for the utilisation of new energies at service zones and passenger terminals and explore feasible means for self-operation of gas stations.

Chairman's Statement

4. To accelerate the expansion of convenient stores in passenger terminals outside the service zones of expressways and optimise and fine-tune procedures of the retail business, so as to gradually establish the "YUEYUN LOYEE" retail network and increase profitability and brand recognition of convenience stores business.
5. To speed up exploitation of outdoor advertising media resources along, among others, the Guangzhou-Lechang Expressway, Boluo-Shenzhen Expressway and Shaoguan-Ganzhou Expressway and accelerate investment in expressway new media resources, such as gantries and overpass bridges resources; to leverage on mobile Internet technology for construction of Internet digital media platform integrating expressways, expressway service zones, long distance routes, passenger terminals and other transportation media resources for realization of integration of traditional media and digital media.

Xuan Zongmin

Chairman

Guangzhou, PRC

20 August 2015

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2015, the Group continued to implement its development strategic planning and achieved steady and rapid growth in motor transportation and auxiliary services driven by newly acquired projects, as well as expressway service zones driven by a new round of large-scale construction of expressways. As at 30 June 2015, details for each business segment are set out as follows:

Motor vehicle transportation and auxiliary services

(i) *Domestic transportation business*

As at 30 June 2015, the Group owned 3,587 licenses for passenger transportation routes, 1,378 passenger transportation routes, 7,424 operating vehicles and controlled over 83 passenger terminals. Its business mainly covers various important cities in the Pearl River Delta, East Guangdong, West Guangdong, and North Guangdong. In the first half of 2015, a total of 45.246 million passengers were carried for passenger transportation, representing an increase of 58.40% as compared with the same period last year. The passenger turnover of regular coaches services is 4.28 billion passenger-kilometers, representing an increase of 11.46% as compared with the same period last year.

Pursuant to the development model of "Acquisition-Consolidation-Growth", the Group completed the acquisition and consolidation of road transportation resources in Shanwei City. As one of the transportation hub among North-east Guangdong, South-west Fujian and South Jiangxi, Shanwei City is located in the coastal area of East Guangdong and has abundant road transportation market. The road transportation resources in Shanwei City of the Group acted as a vital node between East Guangdong area and the Pear River Delta by connecting its road transportation market with that of Heyuan City Yueyun Vehicles Transportation Company Limited ("Heyuan Yueyun") and Meizhou City Yueyun Vehicles Transportation Company Limited under entrusted management to play a role as a central hub in promoting the scale expansion and intensive development of the road transportation business of the Group.

Management Discussion and Analysis

The Group intensified its efforts to consolidate the resources of the newly acquired enterprises. In the first half of 2015, Qingyuan City Yueyun Vehicles Transportation Company Limited reclaimed 60 contracted vehicles to self-operate, and conducted systematic management of passenger transportation resources such as internal passenger transportation routes and urban buses to enhance the operation efficiency of the passenger transportation resources, meanwhile it carried out rectification in the surrounding market of the terminals in cooperation with the local government and law enforcement authorities to guide passengers in entering the station, purchasing the tickets and taking the vehicles. Shaoguan Yueyun Vehicles Transport Company Limited ("Shaoguan Yueyun") reclaimed 43 contracted vehicles to self-operate by actively boosting the reclamation of contracted vehicles and self-operation in the first half of 2015. Shanwei City Yueyun Vehicles Transportation Company Limited ("Shanwei Yueyun") reclaimed 30 contracted vehicles to self-operate and carried out rectification in Luhe County transportation market in active coordination with the competent industry authority to guide passengers in entering the station so as to significantly improve the economic efficiency of Luhe station in the first half of 2015. Shanwei Yueyun enhanced the actual loading rate by implementing the routes bundling operation model and entering into cooperation agreements with its peers. Heyuan Yueyun strengthened the operation and safety management of passenger coaches and also further enhanced the operation efficiency of passenger coaches due to the change in the operation model from contract operation to cooperative operation for the unexpired contracted vehicles on the key routes with a longer contract term.

The Group actively explored the rural passenger transportation market. Guangdong Yueyun Langri Company Limited, a subsidiary of the Group, has formed a complete rural passenger transportation network in Yangjiang area from county to town, and from town to village. Among 34 rural passenger transportation routes in villages and towns under the jurisdiction of Yangjiang City, the access rate of the rural passenger transportation routes where road conditions meet traffic conditions is 100%. Zhaoqing Yueyun Vehicles Transport Company Limited ("Zhaoqing Yueyun"), a subsidiary of the Group, proactively expanded bus stops, routes in villages and towns, and rural bus routes in active response to the impact of Nanning-Guangzhou High-speed Rail and Guiyang-Guangzhou High-speed Rail. Shaoguan Yueyun, a subsidiary of the Group, strengthened its management on the county basic-level passenger terminals and actively applied for the opening of the rural passenger routes to make a geographical layout of the rural passenger transportation market in advance.

The Group developed a "Yueyun E +" development planning based on "Internet +" thinking, actively facilitated the establishment and promotion of "Yueyun Transport" WeChat Public Platform, and integrated and improved small items express business. As at 30 June 2015, 37 passenger terminals of the Group achieved ticket purchase by WeChat, with a total of 21,400 tickets sold and the ticket sales of RMB1.4069 million through the WeChat platform, attracting the attention of 235,600 persons. Zhaoqing Yueyun enhanced the marketing and promotion of the WeChat platform of "Yueyun Transport", improved its own online ticketing system to conduct online ticket booking, group purchase and two-dimensional code ticket punching so as for the passengers to travel more conveniently, and further enhanced the actual loading rates of the passenger coaches. The Group actively enhanced the integration of small items express business by upgrading the original small items express system and making better allocation in terms of Internet resource and staff for the development of the small items express business, while jointly forming a small items express working group with large transportation enterprises in Guangzhou, Shenzhen and other regions to accelerate the establishment of Level 1 information system platform for the small items express.

Management Discussion and Analysis

(ii) Cross-border transportation business

The Group achieved favorable growth in operation efficiency by optimizing the integration of the passenger transportation routes resources, and made innovation in the routes transportation operation model in response to market demand by opening the first route with the feature of “route + travel (food, living, travel, shopping and entertainment)” from Hong Kong to Huizhou Xunliao Bay in cooperation with a number of travel agencies such as China Travel HK, creating a new mode for travel and transportation.

The Group deeply explored the advertising resources in the operating vehicles to develop a new profit growth point.

The Group successfully and independently developed an online cross-border ticketing system, which proved initially effective during the Spring Festival passenger peak, was favored by industry peers, and successfully attracted industry peers to join.

The Group actively explored the project of “Guangdong-to-Hong Kong Direct Link Terminal” and proposed to establish the “Guangdong-to-Hong Kong Direct Link Terminal” at Leiliu Service Zone in the South Second Ring Expressway, which has been accepted by Department of Transportation of Guangdong Province.

Material logistics service

The year 2015 has witnessed a peak of expressway construction in Guangdong Province. GCGC is targeting to complete a 478-kilometer expressway construction and open to traffic this year. The Group focused on completing the task of ensuring supply of materials and meanwhile proactively expanded the material supply market to parties other than GCGC.

In the first half of 2015, the Group completed the material supply of 21 projects in total, including 10 projects with GCGC (including the expansion project of the Guangzhou-Qingyuan Expressway, Zhaoqing-Huadu Expressway, Luoding-Yangjiang Expressway, Chaozhou-Huilai Expressway, Baotou-Maoming Expressway, Pingyuan-Xingning Expressway, Jieyang-Boluo Expressway, Humen Second Bridge, Jiangmen-Luoding Expressway, and Xingning-Wuhua section of Xingning-Shanwei Expressway) and 11 projects with parties other than GCGC (including Guangzhou Metro Line 6, Guangzhou Metro Line 8, Guangzhou Metro Line 21, Guangzhou-Qingyuan Intercity Rail Transit, Guangzhou-Foshan Ring City Rail Transit, Guangzhou-Dongguan-Shenzhen Intercity Rail Transit, Dongguan-Huizhou Intercity Rail Transit, Guangzhou-Gaoming Expressway, Zhuhai connection line of Hong Kong-Zhuhai-Macau Bridge, Foshan-Zhaoqing Intercity Rail Transit, Dongjiang Grand Bridge). The Group supplied 464,100 tons of steel, 2,193,100 tons of cement, 6,200 tons of asphalt in the first half of 2015.

The Group proactively involved in the market competition for the material logistics service for projects not within GCGC. In the first half of 2015, the Group won a bid to supply 330,000 tons of steel with a bidding amount of RMB1.211 billion and a bid to supply of 51,000 tons of asphalt with a bidding amount of RMB167 million.

Management Discussion and Analysis

The Group actively expanded its road maintenance business. In the first half of 2015, the Group provided road maintenance services for a total of four projects including Erenhot-Guangzhou Expressway, Foshan First Ring Expressway, Shenzhen-Shantou East Expressway and National Highway G205, with an aggregative supply of modified asphalt of 550 tons, representing an increase of 100% as compared to same period last year.

The asphalt warehousing and terminal business of the Group maintained steady development. In the first half of 2015, the Group accumulated of 52,900 tons of asphalt inbound and 43,600 tons of asphalt outbound with 11 asphalt vessels docking. The Group continued to actively promote the acceptance of the wharf phase II project in Dongguan and put it into use with an overall objective of "completing as early as possible and producing efficiency as early as possible".

The Group attached great importance to the research and development of asphalt. In the first half of 2015, the Group completed the laboratory research of the nova-surfacing technologies with six utility model patents approved by the National Patent Office and obtained six patent certificates.

The Group increased its efforts on the innovation of material supply management model and established a complete set of basic models for cost calculation. The Group achieved the control of comprehensive procurement costs through collecting and analyzing a large quantity of original procurement cost data and optimizing and integrating resource channels. At the same time, the Group implemented the delivery mechanism for dual control on credit periods and limits of receivables through adopting joint delivery control measures by business department, operation and management department and finance department in order to maintain the risk exposure to receivables within a controllable level.

The Group strengthened the quality management and after-sale services of the material supply service. In the first half of 2015, the Group conducted a total of 520 sample inspections on materials with a pass rate of 100%. In the satisfaction survey activities carried out in respect of material quality and after-sale services in the first half of 2015, the percentage of the "satisfied" rate or above amounted to 100%. The Group was rated as AA in the 2014 Credit Assessment on Highway Design Enterprises in Guangdong carried out by Department of Transportation of Guangdong Province, which created favorable conditions for the Group's participation in tender of material supply in the transportation industry.

Expressway service zones

As of 30 June 2015, the Group had 78.5 pairs of service zones in operation.

The Group actively promoted to obtain the entrusted operation rights of 8 pairs of service zones of new expressways including Jiexi-Boluo Expressway, Pingyuan-Xingning Expressway, Baotou-Maoming Expressway and Chaozhou-Huilai Expressway Phase I. At the same time, the Group completed the project construction drawing design and budget preparation of such service zones of new expressways.

Management Discussion and Analysis

The Group improved the overall commercial values of service zones through reconstruction of certain service zones. In the first half of 2015, the Group completed the reconstruction works of public toilet in Yuwan Service Zone, reconstruction works of retail shops in Taimei Service Zone as well as reconstruction works of intelligent systems of Longchuan Service Zone, Lankou Service Zone, Shangling Service Zone, Xingning Service Zone, Puning Service Zone and Nibei Service Zone. Dahuai Service Zone reconstruction and expansion project and Houmen Service Zone commercial upgrading project have been carried out as scheduled.

The Group successfully introduced Guangdong Guangye Oil & Gas Company Limited and Guangdong Shaoneng New Energy Company Limited as successful bidders of four gas stations in Meilin Service Zone and Daxi Service Zone through public tender, thereby resulting in a positive competitive landscape for the gas station business.

By the end of the first half of 2015, the Group completed a total of 196 project proposals for investment through public tender with a contract sum of RMB144,643,300. In addition to well-known brands such as "KFC", "McDonald's", "ZKungfu" and "72 Street", the Group introduced "Burger King", a well-known brand, for the first time into Reshui Service Zone in order to attract more high quality projects to service zones.

As at 30 June 2015, the Group has commenced operation of 97 convenience stores, including 93 convenience stores in service zones and 4 convenience stores in passenger terminals. To further expand the operation scale of convenience stores, effectively integrate passenger terminal resources and achieve the synergetic development of the operation within and without the expressway, the Group formulated the "Strategic Plan and Design Proposal for Retail Business". In order to support the effective implementation of such business strategy, the Group formulated the "Implementation Plan for Retail Business Integration and Business Structure Adjustment Plan". At the same time, the Group actively explored the performance-linked retail business incentive mechanism.

The Group steadily pursued to obtain advertising media resources within GCGC. In the first half of 2015, the Group executed the expressway entrusted operation contracts with six owners of expressways including Meizhou-Dabu Expressway, Zhaoqing-Huadu Expressway, Erenhot-Guangzhou Expressway, Guangzhou-Zhuhai Expressway West Section, Foshan-Kaiping Expressway and Jiangmen-Zhongshan Expressway. At the same time, the Group actively promoted the resource integration of passenger transportation media. By the end of the first half of 2015, the Group had the operation rights of 355 outdoor columns along 48 highway sections.

The Group focused on the development of expressway new media such as gantries, overpass bridges, roof of toll stations and billboards at toll stations. In the first half of 2015, the Group mainly completed the development and construction of new media at highway sections such as Jiangmen-Zhaoqing Expressway, Guangzhou-Shaoguan Expressway and Guangzhou-Foshan Expressway. As at 30 June 2015, the Group owned three gantries ads facilities, four overpass bridges ads facilities, 10 billboards at toll square and eight billboards on the roof of toll stations. At the same time, the Group completed the surveying and planning of 18 new media ads places in highway sections. The Group also increased its marketing efforts through organizing the first resources fair and Winning Money Packet by Scanning Two-dimensional Code. At the same time, the "Kuaipai" business achieved initial success in Meizhou Fuli City project and the Group obtained distribution contracts in respect of Meizhou Fuli City project for the whole year of 2015.

Management Discussion and Analysis

Tai Ping Interchange

As at 30 June 2015, the Tai Ping Interchange recorded revenue of approximately RMB90 million, representing an increase of approximately 9% over the same period last year.

Development of land held by Guangdong Province Transportation Engineering Company Limited

At the beginning of 2015, Guangzhou Baiyun District government commenced the preparation of the Regulatory Plan for Guangzhou Western Baiyun District Tang Chong Area (《廣州市白雲西棠涌片區控制性詳細規劃》), the area plan of the Regulatory Plan for the Extension of Guangzhou Western Baiyun New Town (《廣州市白雲新城西部延伸區控制性詳細規劃》), and such plan covers the land held by Guangdong Province Transportation Engineering Company Limited. The Group, in light of the development trend of the real estate market, carried out a new round of land planning optimization research and made new land development demands to relevant government authorities such as Guangzhou Planning Bureau and Baiyun District Planning Bureau for adjustment to land use and optimization of surrounding roads. Currently, the initial results of such plan have reflected the land development demand of this project. The Group has been actively carrying out negotiations with well-established real estate enterprises in order to speed up the preliminary study and joint development of this project. The Group will closely track the preparation and implementation of the Regulatory Plan for Guangzhou Western Baiyun District Tang Chong Area (《廣州市白雲西棠涌片區控制性詳細規劃》) by Guangzhou Baiyun District government and continue to coordinate and promote the planning and optimization of specific land use indicators such as project volume rate. Subject to the implementation rules for the "Three Olds" policy and the Regulatory Plan for Guangzhou Western Baiyun District Tang Chong Area (《廣州市白雲西棠涌片區控制性詳細規劃》) duly issued and implemented by the Guangzhou government, the Group will fully promote the application and development process for the project. ("Three old" transformation refers to the mode of transformation of old towns, old factories and old villages in Guangdong Province.)

FINANCIAL REVIEW

Revenue

The revenue of the Group for the first half of 2015 mainly derived from three business segments, namely motor vehicle transportation and auxiliary services, material logistics services and expressway service zones operation. Revenue of Tai Ping Interchange was included in the revenue of the Group. The revenue of the Group for the first half of 2015 was RMB3,899 million (the same period in 2014: RMB4,388 million), representing a decrease of RMB489 million or approximately 11% over the same period last year. Such decrease was mainly attributable to year-on-year decrease in price of materials of material logistics services and completion of some projects.

Management Discussion and Analysis

Revenue by business segments:

	For the six months ended 30 June			
	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Motor vehicle transportation and auxiliary services	1,491,053	38.24%	1,144,399	26.08%
Material logistics services	1,926,065	49.40%	2,846,982	64.88%
Expressway service zones	389,428	9.99%	312,510	7.12%
Tai Ping Interchange	90,026	2.31%	82,933	1.89%
Others	2,577	0.06%	1,545	0.03%
Total	3,899,149	100.00%	4,388,369	100.00%

Motor transportation and auxiliary services

Motor transportation and auxiliary services are one of the major sources of the Group's revenue. Such business recorded revenue of RMB1,491 million (the same period in 2014: RMB1,144 million) for the first half of 2015, representing an increase of RMB347 million or approximately 30% over the same period last year, and accounted for approximately 38.24% (the same period in 2014: approximately 26.08%) of the Group's total revenue. Such increase in revenue was mainly due to the completion of acquisition and consolidation of road transportation resources in three regions, namely Qingyuan, Shaoguan and Shanwei, by the Group pursuant to the development model of "Acquisition-Consolidation-Growth", and the increase in revenue by the regional companies through the increase of the recovery of proprietary routes, expansion of the scope of operation and the addition of new routes and customer sources.

Material logistics services

Material logistics service is one of the major sources of the Group's revenue. During the first half of 2015, the Group's revenue amounted to RMB1,926 million (the same period in 2014: RMB2,847 million), representing a decrease of RMB921 million or approximately 32% over the same period last year, and accounted for approximately 49.40% (the same period in 2014: approximately 64.88%) of the Group's total revenue. The decrease in revenue was mainly due to the year-on-year decrease of the material prices and completion of some projects.

Expressway service zones

As at 30 June 2015, the Group had 78.5 pairs (30 June 2014: 66.5 pairs) of operating expressway service zones. The revenue of expressway service zones amounted to RMB389 million (the same period in 2014: RMB313 million), representing an increase of RMB77 million or approximately 25% over the same period last year, and accounted for approximately 9.99% (the same period in 2014: approximately 7.12%) of the Group's total revenue. The increase in revenue was mainly due to the year-on-year increase in revenue from one-off admission fees at gas stations and the number of service zones during the current period.

Management Discussion and Analysis

Tai Ping Interchange

The revenue from Tai Ping Interchange amounted to RMB90 million (the same period in 2014: RMB83 million) for the first half of 2015, representing an increase of RMB7 million or approximately 9% over the same period last year. Such change was mainly due to organic growth in traffic flow during the current period.

Gross profit

Gross profit of the Group for the first half of 2015 amounted to RMB656 million (the same period in 2014: RMB495 million), representing an increase of RMB161 million or approximately 32% over the same period last year. Such increase was mainly due to the year-on-year increase in gross profit of motor vehicle transportation and auxiliary services and expressway service zones business. Gross profit margin for the first half of 2015 was 16.83% (the same period in 2014: 11.29%), representing an increase of 5.54 points as compared to the same period last year, which was mainly attributed to the increase in the income of motor vehicle transportation and auxiliary services business and expressway service zones and their increased percentage of contribution on a year-on-year basis.

Gross profit by business segments:

	For the six months ended 30 June			
	2015		2014	
	RMB'000	Percentage	RMB'000	Percentage
Motor vehicle transportation and auxiliary services	390,500	59.51%	262,892	53.06%
Material logistics services	75,290	11.47%	91,424	18.46%
Expressway service zones	112,279	17.11%	67,994	13.72%
Tai Ping Interchange	76,980	11.73%	72,178	14.57%
Others	1,163	0.18%	943	0.19%
Total	656,212	100.00%	495,431	100.00%

Motor vehicle transportation and auxiliary services

Motor vehicle transportation and auxiliary services recorded gross profit of RMB391 million in the first half of 2015 (the same period in 2014: RMB263 million), representing an increase of RMB128 million or approximately 49%, with a gross profit margin of 26.19% (the same period in 2014: 22.97%). The year-on-year increase in gross profit and gross profit margin was mainly attributable to the increase in revenue resulting from the expansion of the scale of operations and intensive operations.

Material logistics services

Gross profit from material logistics services business amounted to RMB75 million in the first half of 2015 (the same period in 2014: RMB91 million), representing a decrease of RMB16 million or approximately 18% as compared to the same period last year. Gross profit margin was 3.91% (the same period in 2014: 3.21%). The decrease in gross profit was mainly attributable to the decrease in revenue, while the increase in gross profit margin was mainly attributable to the year-on-year increase in sales discount from the material suppliers.

Management Discussion and Analysis

Expressway service zones

Gross profit from expressway service zone business amounted to RMB112 million in the first half of 2015 (the same period in 2014: RMB68 million), representing an increase of RMB44 million or approximately 65%, with a gross profit margin of 28.83% (the same period in 2014: 21.76%). The increase in gross profit and gross profit margin was due to the year-on-year increase in revenue from one-off admission fees at gas stations.

Tai Ping Interchange

Gross profit of Tai Ping Interchange amounted to RMB77 million in the first half of 2015 (the same period in 2014: RMB72 million), representing an increase of RMB5 million or approximately 7%. Gross profit margin was 85.51% (the same period in 2014: 87.03%). The decrease in gross profit margin was mainly attributed to the slight increase in the maintenance cost as compared to the same period last year.

Business tax and other surcharges

In the first half of 2015, business taxes and other surcharges decreased to RMB31.2 million from RMB33.9 million for the same period last year, representing a decrease of RMB2.7 million or 8%. Such decrease was mainly attributable to the decrease in revenue from material logistics services business, leading to the decrease in the relevant surcharges on value-added tax paid.

Selling and administrative expenses

In the first half of 2015, selling and administrative expenses of the Group amounted to RMB361 million (the same period in 2014: RMB285 million), representing an increase of RMB76 million or approximately 27% over the same period last year. Such increase was attributable to (i) increased labor costs and (ii) increased number of new subsidiaries on a year-on-year basis.

Finance costs

In the first half of 2015, finance costs amounted to RMB30 million (the same period in 2014: RMB32 million), representing a decrease of RMB2 million or approximately 8% as compared to the same period last year. Such decrease was mainly attributable to the year-on-year decrease in interest rates.

Asset impairment losses

In the first half of 2015, the reversal of asset impairment losses amounted to RMB1.60 million (the same period in 2014: the provision of RMB3.67 million), representing a decrease of RMB5.27 million or approximately 144% as compared to the same period last year. Such decrease was mainly attributable to the reversal of impairment losses provided in the previous years as we received collectibles during the current period.

Management Discussion and Analysis

Investment income

In the first half of 2015, investment income amounted to RMB7.52 million (the same period in 2014: RMB2.44 million), representing an increase of RMB5.09 million or approximately 209% as compared to the same period last year. Such increase was mainly attributable to the investment income generated from the sale of available-for-sale equity instruments during the current period.

Net profit

The Group recorded net profit of RMB200 million for the six months ended 30 June 2015 (the same period in 2014: RMB150 million), representing an increase of RMB50 million or approximately 33% over the same period last year. Net profit attributable to shareholders of the parent company for the first half of 2015 amounted to RMB143 million (the same period in 2014: RMB104 million), representing an increase of RMB39 million or approximately 38% as compared to the same period last year. Such increase was mainly attributable to (i) the increase in profit from expressway service business of the Group compared to the same period in 2014 as a result of the newly established service zones; (ii) the increase in profit from Tai Ping Interchange operations of the Group compared to the same period in 2014 arising from the increase in vehicle traffic; (iii) the year-on-year increase in profit from the newly acquired subsidiaries which engage in motor vehicle transportation and auxiliary services.

Liquidity and capital structure

As at 30 June 2015, cash and cash equivalents amounted to RMB1,551 million (31 December 2014: RMB1,764 million). As of 30 June 2015, the balance of bills payable amounted to RMB150 million (31 December 2014: RMB319 million); net current liabilities amounted to RMB175 million (31 December 2014: RMB93 million); current ratio was 0.95 times (31 December 2014: 0.97 times); gearing ratio was 59.74% (31 December 2014: 59.84%).

Cash flow

In the first half of 2015, 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.

Management Discussion and Analysis

Most of the cash and cash equivalents of the Group are denominated in Renminbi, except for the cash and cash equivalents that relate to cross-border transportation services. For the first half of 2015, the movements of cash and cash equivalents (after deducting the effect of foreign exchange) were as follows:

	For the six months ended		
	30 June		
	2015	2014	Change
Cash from/(used in)	RMB'000	RMB'000	RMB'000
Operating activities	210,644	107,840	102,804
Investing activities	(443,774)	(173,946)	(269,828)
Financing activities	20,626	(92,123)	112,749
Decrease in cash and cash equivalents	(212,504)	(158,229)	(54,275)

Operating activities

The net outflow from operating activities of the Company amounted to RMB211 million in the first half of 2015 (the same period in 2014: net cash inflow of RMB108 million), representing an increase in net inflow of RMB103 million. Such increase was mainly attributable to (i) the year-on-year increase in gross profit; and (ii) the fact that the Company strengthened the management and control of operating capital to speed up the collection of receivables.

Investing activities

The net cash used in investing activities in the first half of 2015 amounted to RMB444 million (the same period in 2014: net cash outflow of RMB174 million), which was mainly attributable to the utilisation of RMB403 million on purchase of fixed assets.

Financing activities

The net cash inflow from financing activities in the first half of 2015 amounted to RMB21 million (the same period in 2014: net outflow of RMB92 million), which was mainly attributable to the increase in borrowings.

Borrowings

As at 30 June 2015, outstanding borrowings of the Group was RMB1,070 million, including (i) unsecured short-term loans of RMB370 million (31 December 2014: RMB270 million); (ii) secured short-term loans of RMB35 million (31 December 2014: RMB16 million); (iii) secured long-term loans of RMB103 million (31 December 2014: RMB91 million); (iv) unsecured long-term loans of RMB261 million (31 December 2014: RMB263 million); (v) finance lease payables of RMB1 million (31 December 2014: RMB1 million); (vi) bonds payable of RMB300 million (31 December 2014: RMB299 million). Gearing ratio (total liabilities over total assets) as at 30 June 2015 remained steady at 59.74%, compared to 59.84% as at 31 December 2014.

Management Discussion and Analysis

As at 30 June 2015, the Group's borrowings were mainly denominated in RMB and the majority of them were subject to floating interest rates.

Acquisitions

As at 30 June 2015, the Group had no acquisitions pending for completion.

Post balance sheet date events

None

Major acquisitions and establishment of new companies

As at 30 June 2015, compared with 31 December 2014, the Group invested in the establishment of 5 new companies, including Shanwei Yueyun Transportation Company Limited, Lufeng Land Transportation Company Limited, Haifeng Transportation Company Limited, Shanwei General Vehicle Station and Shanwei City Bus Company Limited. The Group had total investment costs of approximately RMB67 million in respect of these new companies.

Pledge of assets

As at 30 June 2015, fixed assets at the net value of RMB150 million (31 December 2014: RMB129 million) and land use right at the net value of RMB71 million (31 December 2014: RMB4 million) of the Group were pledged as security for bank borrowings.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2015, the working capital and liquidity of the Group were slightly affected by the fluctuations in currency exchange rate. The directors of the Company (the "Directors") believe that the Group will have sufficient foreign currency to meet its demand. Meanwhile, 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

As at 30 June 2015, the Group had no material contingent liabilities.

Other Information

SHARE CAPITAL

As at 30 June 2015, there were a total of 417,641,867 ordinary shares of the Company (the "Shares") in issue, over 25% of which were held by the public. The minimum public float satisfied the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange" and the "Listing Rules", respectively). So far as it was known to the Directors, as at 30 June 2015, the controlling Shareholders and the actual controller of the Company remained unchanged.

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

As at 30 June 2015, GCGC directly held 279,641,867 domestic Shares, representing 100% of the issued domestic Shares and approximately 66.96% the total issued share capital of the Company.

GCGC is a controlling Shareholder. Its legal representative is Li Jing and its registered capital as at 30 June 2015 was RMB26,800,000,000. It is principally engaged in investment, construction and management of the expressways in the Guangdong Province, as well as logistics and transportation business.

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

As at 30 June 2015, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons (other than the Directors, the supervisors (the "Supervisors") and the chief executive of the Company) had 5% or more interests in the Shares and underlying Shares (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 336 of the SFO:

Other Information

Name of Shareholder	Class of Shares	Number of Shares/ underlying Shares held	Capacity	Percentage in the relevant class of share capital (approx.%)	Percentage in total share capital (approx.%)
GCGC	Domestic Shares	279,641,867	Beneficial owner	100%	66.96%
China Petrochemical Corporation (Note)	H Shares	22,100,000	Interests of controlled corporations	16.01%	5.29%
China Petroleum & Chemical Corporation (Note)	H Shares	22,100,000	Interests of controlled corporations	16.01%	5.29%
Sinopec (Hong Kong) Limited	H Shares	22,100,000	Beneficial owner	16.01%	5.29%
Shah Capital Management	H Shares	12,209,000	Investment manager	8.85%	2.92%
Pope Asset Management, LLC	H Shares	8,183,088	Investment manager	5.93%	1.96%
E Fund Management Co., Ltd.	H Shares	6,900,000	Investment manager	5.00%	1.65%

Note: Sinopec (Hong Kong) Limited is a wholly-owned subsidiary of China Petroleum & Chemical Corporation and China Petroleum & Chemical Corporation is a subsidiary of China Petrochemical Corporation. Accordingly, China Petrochemical Corporation and China Petroleum & Chemical Corporation are deemed to be interested in 22,100,000 H Shares held by Sinopec (Hong Kong) Limited respectively.

Save as disclosed above, as at 30 June 2015, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares owned by any other persons as recorded in the register required to be kept by the Company under section 336 of the SFO.

Other Information

CHANGES IN SHARES

Reference is made to the Company's announcement dated 25 March 2015, circular dated 23 April 2015 (the "Circular") and announcement dated 11 June 2015. Terms used in this interim report shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 June 2015, the special resolution regarding the issue of Bonus Shares was approved by the Shareholders at the AGM, H Shares Class Meeting and Domestic Shares Class Meeting respectively. The Bonus Shares were issued (i) by way of the capitalisation of retained earnings of the Company on the basis of two Bonus Shares for every ten Shares held by the Shareholders on the Record Date (being 22 June 2015); and (ii) by way of the capitalisation of share premium of the Company on the basis of three Bonus Shares for every ten Shares held by the Shareholders on the Record Date (being 22 June 2015). Share certificates of the Bonus H Shares are expected to be sent to the shareholders of H Shares by the Company on 10 September 2015. Upon the completion of the Bonus Shares Issue, the Company's issued Shares will increase to 626,462,800 shares from 417,641,867 shares. The shareholding structure will be unchanged; GCGC, the controlling shareholder of the Company, will still hold 66.96% of the issued Shares and the shareholders of H Shares listed in Hong Kong will hold 33.04%.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company did not redeem any of its listed Shares nor did the Company or any of its subsidiaries purchase or sell any of such Shares during the six months ended 30 June 2015.

INTERESTS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, the interests (or long positions) and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

As at 30 June 2015, none of the Directors, Supervisors or chief executive of the Company held any interests in the Shares, underlying Shares and debentures of the Company.

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

Name of associated corporation	Name of Director/ Supervisor	Type of interests	Number of shares held	Percentage in the relevant class of share capital (approx. %)
Guangdong Provincial Expressway Development Co. Ltd. ("Guangdong Expressway")	Liu Hong	Personal	11,972	0.0013%
Guangdong Expressway	Yao Hanxiong	Personal	2,393	0.0002%
Guangdong Expressway	Zhen Jianhui	Personal	9,209	0.0010%

Except as disclosed above, as at 30 June 2015, none of the Directors, Supervisors nor chief executive of the Company had any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the Group and the board of Directors (the "Board") considers that effective corporate governance is crucial to the success of a company and to enhance shareholder's value.

The Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from 1 January 2015 to 30 June 2015. The Company considers that sufficient measures have been taken to ensure that corporate governance practices of the Company were in line with the Corporate Governance Code during the six months ended 30 June 2015.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the Supervisors. Having made a specific enquiry with all the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she had complied with the requirements set out in the Model Code for the six months ended 30 June 2015.

Other Information

BOARD OF DIRECTORS

As at 30 June 2015, the Board consisted of 11 members, including 5 executive Directors, namely Mr. Xuan Zongmin, Mr. Tang Yinghai, Mr. Yao Hanxiong, Mr. Fei Dachuan and Mr. Guo Junfa; 2 non-executive Directors, namely Mr. Liu Hong and Mr. Li Bin; and 4 independent non-executive Directors, namely Mr. Gui Shouping, Mr. Liu Shaobo, Mr. Peng Xiaolei and Mr. Jin Wenzhou.

Directors in office as at 30 June 2015 and up to the date of this report were as follows:

Name	Effective date of appointment as a Director	Date of resignation as a Director
Executive Directors		
Mr. Xuan Zongmin	6 June 2012 (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	N/A
Mr. Tang Yinghai	6 June 2012 (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 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. Liu Hong	26 June 2014	N/A
Mr. Li Bin	18 December 2012	N/A
Independent non-executive Directors		
Mr. Gui Shouping	2 February 2004	N/A
Mr. Liu Shaobo	2 February 2004	N/A
Mr. Peng Xiaolei	2 February 2004	N/A
Mr. Jin Wenzhou	4 April 2014	N/A

CHANGES IN DIRECTORS' PARTICULARS

Changes in particulars of Directors, supervisors and the chief executive officer required to be disclosed under Rule 13.51B (1) of the Listing Rules are as followed:

Mr. Liu Shaobo ("Mr. Liu"), an independent executive Director of the Company, was appointed as an independent director of Dongguan Development (Holdings) Co., Ltd. (東莞發展控股股份有限公司), a company listed on the Shenzhen Stock Exchange, in April 2015. Currently, Mr. Liu also serves as an independent director of Guangzhou Development Holdings Company Limited (廣州發展集團股份有限公司), a listed company on the Shanghai Stock Exchange, and Dongling Grain & Oil Co., Ltd. (廣州東凌糧油股份有限公司), a listed company on the Shenzhen Stock Exchange.

Mr. Peng Xiaolei, an independent executive Director of the Company, formally resigned from his position as an independent Director of Pci-Suntek Technology Co., Ltd (佳都新太科技股份有限公司) in July 2015.

Mr. Gui Shouping, an independent executive Director of the Company, was appointed as 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) in March 2015. Currently, Mr. Gui ("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 listed company on the Shenzhen Stock Exchange.

REVIEW BY AUDIT & CORPORATE GOVERNANCE COMMITTEES

The Company has established the Audit & Corporate Governance Committee in compliance with the Listing Rules.

The primary duties of the Audit & Corporate Governance Committee are, among other things, to appoint external auditors, review and supervise the financial reporting process, review interim and annual results and internal control system of the Group, provide advice and comments to the Board and monitor the corporate governance of the Company. As at 30 June 2015, the Audit & Corporate Governance Committee consisted of 3 members, namely Mr. Peng Xiaolei (Chairman) and Mr. Liu Shaobo, independent non-executive Directors, and Mr. Li Bin, a non-executive Director. The Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2015 and recommended its adoption by the Board. The independent auditor of the Company, KPMG Huazhen LLP, has also reviewed the unaudited interim financial report for the period in accordance with Chinese Standards on Review No. 2101- Engagements to Review Financial statements issued by the Chinese Institute of Certified Public Accountants.

Other Information

SUPERVISORY COMMITTEE

As at 30 June 2015, the supervisory committee consisted of 7 members, 2 of whom were independent Supervisors (namely Mr. Bai Hua and Ms. Lu Zhenghua), 2 of whom were shareholder Supervisors (namely Ms. Ling Ping and Ms. Li Haihong) and 3 of whom were Supervisors representing the staff of the Company (namely Ms. Zhang Linian, Ms. Zhang Anli and Mr. Zhen Jianhui).

Supervisors in office as at 30 June 2015 and up to the date of this report were as follows:

Name	Effective date of appointment as a Supervisor	Date of resignation as a Supervisor
Ms. Ling Ping (Note 1)	11 June 2015	N/A
Mr. You Xiacong (Note 1)	18 December 2012	11 June 2015
Ms. Li Haihong	18 December 2012	N/A
Mr. Bai Hua	6 June 2012	N/A
Ms. Lu Zhenghua	6 June 2012	N/A
Ms. Zhang Linian (Note 2)	13 April 2015	N/A
Ms. Li Hui (Note 2)	2 February 2004	13 April 2015
Ms. Zhang Anli	15 April 2014	N/A
Mr. Zhen Jianhui	15 April 2014	N/A

Note 1: For the details about the resignation of Mr. You Xiacong and the appointment of Ms. Ling Ping, please refer to the announcement published on 25 March 2015, the circular published on 23 April 2015 and the announcement of the Company published on 11 June 2015.

Note 2: For the details about the resignation of Ms. Li Hui and the appointment of Ms. Zhang Linian, please refer to the announcement of the Company published on 13 April 2015.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 19,279 employees as at 30 June 2015 (31 December 2014: 18,633). Total staff cost for the six months ended 30 June 2015, including the Directors' remuneration, amounted to approximately RMB691 million (the same period in 2014: approximately RMB490 million).

The remuneration of the employees of the Group (including the executive Directors) comprises basic salary, performance bonus, allowance and subsidies. The basic salary is determined according to the position, work experience, education backgrounds, abilities and contributions of the employees. The performance bonus is determined according to the performance assessment results of the employees.

The remuneration of the independent non-executive Directors is determined by reference to the remuneration standards in the capital market for independent non-executive directors with similar business scope and scale. The non-executive Directors have agreed not to receive any remuneration for such positions.

TRAINING OF HUMAN RESOURCES

The Company attaches great importance to the training and development of human resources, and has made endeavors to provide training and education to staff at all levels. The main training activities carried out in the first half of 2015 included:

1. Training and communication activities were carried out among middle and senior management personnel of the Group. 527 middle and senior management personnel from the Company and 19 subsidiaries participated through the video conferences organized to conduct exchange learning on topics such as corporate strategies, development planning, team building, management and control requirements and business experience introduction.
2. "2015 Training Programs on Leadership Qualities Enhancement for Middle and Senior Management Personnel (2015年中高層管理人員領導素質提升培訓方案)" was organized through cooperation with training institutions. Four trainings were conducted in the first half of 2015, with 378 people involved in the trainings; the overall satisfaction of the trainees reached 92% on average in the evaluation of training effectiveness.
3. The Group organized production line technicians, functional management personnel and middle and senior management personnel to participate in a number of training and learning activities in accordance with the annual training plan. The Company continued to make great effort to enhance the training and education for management personnel at all levels through the networking academy. Approximately 190 people participated in online learning sessions throughout the six months ended 30 June 2015.

DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 30 June 2015.

On 25 March 2015, the Board recommended the payment of a final dividend of RMB0.15 per ordinary share (tax included) for the year of 2014. Such proposal was approved by the Shareholders at the AGM held on 11 June 2015. Please refer to the announcement dated 25 March 2015, the circular dated 23 April 2015 and the announcement dated 11 June 2015 of the Company for details.

ISSUE OF BONUS SHARES

On 25 March 2015, the Board recommended an issue of Bonus Shares to the Shareholders: (i) by way of the capitalisation of retained earnings of the Company, on the basis of two Bonus Shares for every ten existing Shares held by the Shareholders (except for the Overseas Shareholders); and (ii) by way of the capitalisation of share premium of the Company, on the basis of three Bonus Shares for every ten existing Shares held by the Shareholders (except for the Overseas Shareholders), whose names appear on the register of members of the Company on 22 June 2015. The special resolution regarding the issue of Bonus Shares was duly approved at the AGM, H Shares Class Meeting and Domestic Shares Class Meeting respectively on 11 June 2015. For details, please refer to the announcement dated 25 March 2015, the circular dated 23 April 2015 and the announcement dated 11 June 2015 of the Company.

Other Information

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Shareholders considered and approved certain amendments to the articles of association of the Company (the "Articles of Association") at the AGM. The purpose of the amendments to the Articles of Association is, conditional on the Bonus Shares Issue becoming unconditional upon the satisfaction of the conditions stated under the "Conditions for the Bonus Shares Issue" of the Circular, that the registered share capital of the Company will be increased upon completion of the Bonus Shares Issue, and Article 16 and Article 19 of the Articles of Association will be amended accordingly. For details, please refer to the announcement dated 25 March 2015, the circular dated 23 April 2015 and the announcement dated 11 June 2015 of the Company.

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 proposed amendments to the Articles of Association for a company listed in Hong Kong.

AUDITOR OF THE COMPANY

The Shareholders considered and approved the ordinary resolution in respect of the proposed appointment of KPMG Huazhen LLP as the auditor of the Company at the AGM.

Please refer to the Circular of the Company for details of the above appointment.

MATERIAL LITIGATION AND ARBITRATION

As at 2 September 2015, being the latest practicable date prior to the printing of this report, the Board was aware of the following material litigation involving the Company:

The Company brought a legal proceeding before the Guangzhou Intermediate People's Court against Tangshanshi Shuihou Zhagang Yi Chang (唐山市稅後軋鋼一廠), Tangshan Xingye Gongmao Jituan Co., Ltd (唐山興業工貿集團有限公司) and Tangshanshi Kaipingqu Xingye Zhazhichang (唐山市開平區興業軋製廠) to recover the sum paid in advance by the Company for purchase of steel products in the amount of RMB472,397,000 and a compensation for breach of contracts by the defendants. The Company has applied to the Court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court had given its judgement on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company and the compensation for breach of contract. On 12 July 2011, the Guangzhou Intermediate People's Court issued a "certificate of judgement" to confirm that the judgement came into effect on 30 June 2011. The Company has applied to the court for filing and executing the certificate. In the executing process of this case, the obligor Tangshan Xingye Gongmao Jituan Co., Ltd filed a bankruptcy petition to Tangshan Kaiping People's Court due to insolvency, and the court decided to accept the bankruptcy petition filed by it on 28 February 2014. In March 2015, the bankruptcy administrator of Tangshan Xingye Gongmao Jituan Co., Ltd notified the Company that Tangshan Kaiping People's Court had accepted the combined bankruptcy case in respect of seven related party companies, including Tangshanshi Shuihou Zhagang Yi Chang, Tangshan Xingye Gongmao Jituan Co., Ltd and Tangshanshi Kaipingqu Xingye Zhazhichang.

Consolidated balance sheet (unaudited)

As at 30 June 2015

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2015	As at 31 December 2014
Assets			
Current Assets			
Cash at bank and on hand		1,560,591,733.39	1,773,706,526.84
Bills receivable		400,000.00	1,500,000.00
Accounts receivable	1	800,302,564.36	668,287,137.36
Prepayments		305,273,434.83	188,767,804.38
Other receivables		362,094,043.89	298,713,423.99
Dividend receivables		7,962,582.70	—
Inventories		169,325,039.39	153,138,610.49
Non-current assets due within one year		10,294,443.36	7,985,219.32
Other current assets		28,763,356.51	17,036,912.36
Total current assets		3,245,007,198.43	3,109,135,634.74
Non-current assets			
Long-term receivables		38,715,849.00	35,458,574.50
Long-term equity investments		198,792,175.81	204,665,915.87
Available-for-sale financial assets	2	563,228.22	8,238,722.82
Investment properties		177,171,599.92	152,693,971.95
Fixed assets	3	1,908,355,410.25	1,738,940,439.54
Construction in progress		121,417,024.67	172,616,315.39
Intangible assets	4	920,638,130.23	820,725,330.31
Goodwill		84,597,291.76	84,597,291.76
Long-term deferred expenses		28,226,027.28	25,994,397.66
Deferred tax assets		189,673,669.85	191,265,434.64
Other non-current assets		231,046,551.06	208,747,950.30
Total non-current assets		3,899,196,958.05	3,643,944,344.74
Total assets		7,144,204,156.48	6,753,079,979.48

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated balance sheet (unaudited)

As at 30 June 2015

(Expressed in Renminbi Yuan)

	Note	As at 30 June 2015	As at 31 December 2014
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	5	404,865,462.01	285,749,912.78
Bills payable		150,000,000.00	319,317,371.36
Accounts payable	6	1,133,052,226.96	961,762,867.70
Advances from customers		349,315,144.65	334,744,357.78
Employee benefits payable		162,088,241.66	146,784,610.23
Taxes payable		147,768,223.32	168,433,156.47
Interest payable		17,557,715.40	5,157,354.24
Dividends payable		91,080,029.25	22,183,255.35
Other payables		540,077,471.95	546,330,830.89
Non-current liabilities due within one year	7	424,258,473.56	411,602,480.02
Total current liabilities		3,420,062,988.76	3,202,066,196.82
Non-current liabilities			
Long-term loans	8	298,685,297.96	299,529,507.68
Long-term payables		32,703,142.69	41,223,617.48
Long-term employee benefits payable		179,310,753.75	181,699,822.62
Deferred tax liabilities		28,133,902.68	31,129,102.06
Deferred income		308,998,677.95	285,528,984.00
Total non-current liabilities		847,831,775.03	839,111,033.84
Total liabilities		4,267,894,763.79	4,041,177,230.66

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated balance sheet (unaudited)

As at 30 June 2015

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2015	As at 31 December 2014
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		417,641,867.00	417,641,867.00
Other equity instrument	10	281,810,000.00	281,810,000.00
Capital reserve		170,451,076.51	170,451,076.51
Other comprehensive income		(38,409,384.83)	(37,962,427.11)
Special reserve		27,447,542.59	22,864,907.64
Surplus reserve		136,839,287.38	136,839,287.38
Retained earnings	11	750,228,539.91	669,480,517.83
Equity attributable to shareholders of the Company	12	1,746,008,928.56	1,661,125,229.25
Non-controlling interests		1,130,300,464.13	1,050,777,519.57
Total shareholders' equity		2,876,309,392.69	2,711,902,748.82
Total liabilities and shareholders' equity		7,144,204,156.48	6,753,079,979.48

This interim financial report was approved by the Board of Directors of the Company on 20 August 2015.

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 48 to 146 form part of this interim financial report.

Balance sheet (unaudited)

As at 30 June 2015

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2015	As at 31 December 2014
Assets			
Current assets			
Cash at bank and on hand		698,451,044.04	843,395,937.87
Bills receivable		—	1,300,000.00
Accounts receivable	1	354,241,913.66	355,589,986.51
Prepayments		15,152,511.18	59,947,954.08
Other receivables		519,125,272.36	428,471,288.71
Inventories		50,083,070.04	33,430,248.59
Other current assets		11,276,662.91	3,628,030.91
Total current assets		1,648,330,474.19	1,725,763,446.67
Non-current assets			
Long-term equity investments		808,282,347.94	803,848,951.98
Available-for-sale financial assets	2	777,412.45	777,412.45
Fixed assets	3	3,540,197.75	4,102,293.64
Construction in progress		324,083.95	241,523.95
Intangible assets	4	153,906,660.46	164,104,686.38
Long-term deferred expenses		10,484,364.54	11,026,231.52
Deferred tax assets		141,736,692.20	141,389,770.29
Total non-current assets		1,119,051,759.29	1,125,490,870.21
Total assets		2,767,382,233.48	2,851,254,316.88

The notes on pages 48 to 146 form part of this interim financial report.

Balance sheet (unaudited)

As at 30 June 2015

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2015	As at 31 December 2014
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	5	200,000,000.00	200,000,000.00
Bills payable		85,000,000.00	221,317,371.36
Accounts payable	6	185,928,401.13	131,040,998.59
Advances from customers		76,705,820.12	34,107,156.14
Employee benefits payable		18,654,358.92	18,778,140.46
Taxes payable		1,131,477.71	10,880,883.30
Interest payable		762,722.12	604,666.58
Dividends payable		62,646,280.05	—
Other payables		723,797,637.49	786,835,649.48
Total current liabilities		1,354,626,697.54	1,403,564,865.91
Non-current liabilities			
Long-term loans	8	120,000,000.00	120,000,000.00
Total non-current liabilities		120,000,000.00	120,000,000.00
Total liabilities		1,474,626,697.54	1,523,564,865.91

The notes on pages 48 to 146 form part of this interim financial report.

Balance sheet (unaudited)

As at 30 June 2015

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2015	As at 31 December 2014
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		417,641,867.00	417,641,867.00
Other equity instrument	10	281,810,000.00	281,810,000.00
Capital reserve		262,889,247.11	262,889,247.11
Surplus reserve		134,361,198.52	134,361,198.52
Retained earnings	11	196,053,223.31	230,987,138.34
Total shareholders' equity		1,292,755,535.94	1,327,689,450.97
Total liabilities and shareholders' equity		2,767,382,233.48	2,851,254,316.88

This interim financial report was approved by the Board of Directors of the Company on 20 August 2015.

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 48 to 146 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
I. Operating income		3,899,149,114.56	4,388,368,620.00
II. Less: Operating costs		3,242,937,614.31	3,892,937,456.97
Business taxes and surcharges		31,227,528.73	33,919,025.74
Selling and distribution expenses		32,688,203.21	29,696,569.56
General and administrative expenses		328,390,549.36	255,327,884.00
Financial expenses	13	29,760,189.53	32,438,704.98
Impairment losses (reversal)/provision		(1,597,906.65)	3,669,402.12
Add: Investment income	14	7,523,339.45	2,438,358.94
(Including: Income from investment in associates and joint ventures)		2,760,842.65	1,305,996.12
III. Operating profit		243,266,275.52	142,817,935.57
Add: Non-operating income	15	46,373,857.02	62,459,954.24
(Including: Gains from disposal of non-current assets)		5,316,810.94	2,758,707.49
Less: Non-operating expenses		2,047,167.05	1,955,056.37
(Including: Losses from disposal of non-current assets)		648,903.66	989,036.24
IV. Profit before income tax	17	287,592,965.49	203,322,833.44
Less: Income tax expenses	16	87,631,534.67	53,144,359.65
V. Net profit for the period		199,961,430.82	150,178,473.79
Attributable to:			
Shareholders of the Company		143,394,302.13	103,686,177.75
Non-controlling interests		56,567,128.69	46,492,296.04

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
VI. Other comprehensive income for the period, net of tax			
(I) Items that will not be reclassified to profit or loss		—	—
(II) Items that may be reclassified subsequently to profit or loss:			
1. Gains or losses arising from changes in fair value of available-for-sale financial assets		(752,563.35)	—
2. Translation differences arising from translation of foreign currency financial statements		(54,288.03)	2,451,416.07
VII. Total comprehensive income for the period		199,154,579.44	152,629,889.86
Attributable to:			
Shareholders of the Company		142,947,344.41	105,244,216.50
Non-controlling interests		56,207,235.03	47,385,673.36
VIII. Earnings per share			
(I) Basic earnings per share	18(1)	0.34	0.24
(II) Diluted earnings per share	18(2)	0.28	0.20

The notes on pages 48 to 146 form part of this interim financial report.

Income statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
I. Operation income		415,716,442.25	1,034,546,732.56
II. Less: Operating costs		342,408,331.06	931,866,605.27
Business taxes and surcharges		4,003,712.23	5,604,827.24
Selling and distribution expenses		3,395,480.87	8,609,724.36
General and administrative expenses		30,626,370.64	31,601,377.21
Financial expenses	13	4,311,385.75	10,958,471.99
Impairment losses		—	3,707,839.35
Add: Investment income	14	4,433,395.96	2,473,406.30
(Including: Income from investment in associates and joint ventures)		4,433,395.96	1,111,352.79
III. Operating profit		35,404,557.66	44,671,293.44
Add: Non-operating income		379,290.30	20,000.01
Less: Non-operating expenses		142,020.31	8,040.00
(Including: Losses from disposal of non-current assets)		133,020.31	8,040.00
IV. Profit before income tax		35,641,827.65	44,683,253.45
Less: Income tax expenses	16	7,929,462.63	11,621,021.63
V. Net profit for the period		27,712,365.02	33,062,231.82
VI. Other comprehensive income (net of tax)		—	—
VII. Total comprehensive income for the period		27,712,365.02	33,062,231.82

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		4,254,735,973.47	4,386,075,709.16
Proceeds from tax return		1,059,633.76	—
Cash received from other operating activities		48,770,077.55	66,846,927.88
Sub-total of cash inflows		<u>4,304,565,684.78</u>	<u>4,452,922,637.04</u>
Payment for goods and services		3,016,963,253.12	3,562,856,653.69
Payment to and for employees		731,694,011.38	508,300,426.08
Payment of various taxes		230,650,864.99	136,547,960.16
Payment relating to other operating activities		114,613,872.66	137,377,869.52
Sub-total of cash outflows		<u>4,093,922,002.15</u>	<u>4,345,082,909.45</u>
Net cash inflow from operating activities	19(1)	<u>210,643,682.63</u>	<u>107,839,727.59</u>
II. Cash flows from investing activities:			
Proceeds from disposal of investments		6,672,076.80	12,542,166.17
Investment returns received		5,664,187.49	776,078.20
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		8,467,206.89	2,135,701.41
Sub-total of cash inflows		<u>20,803,471.18</u>	<u>15,453,945.78</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets		402,780,627.52	189,400,113.16
Net payment for acquisition of subsidiaries	19(4)	61,796,898.69	—
Sub-total of cash outflows		<u>464,577,526.21</u>	<u>189,400,113.16</u>
Net cash outflow from investing activities		<u>(443,774,055.03)</u>	<u>(173,946,167.38)</u>

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
III. Cash flows from financing activities:			
Proceeds from investors		—	5,690,900.00
Proceeds from borrowings		476,913,915.73	309,187,369.90
Sub-total of cash inflows		476,913,915.73	314,878,269.90
Repayments of borrowings		351,576,422.39	379,643,498.60
Payment for dividends, profit distributions or interest		59,644,060.16	27,358,238.05
Payment relating to other financing activities	19(5)	45,066,976.82	—
Sub-total of cash outflows		456,287,459.37	407,001,736.65
Net cash inflow/(outflow) from financing activities		20,626,456.36	(92,123,466.75)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(3,151.84)	708,004.73
V. Net decrease in cash and cash equivalents	19(2)	(212,507,067.88)	(157,521,901.81)
Add: cash and cash equivalents at the beginning of the period		1,763,602,999.44	1,710,089,275.02
VI. Cash and cash equivalents at the end of the period	19(3)	1,551,095,931.56	1,552,567,373.21

The notes on pages 48 to 146 form part of this interim financial report.

Cash flow statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		516,331,044.94	916,970,073.06
Proceeds from other operating activities		7,264,449.78	6,877,934.88
Sub-total of cash inflows		523,595,494.72	923,848,007.94
Payment for goods and services		439,715,417.19	1,265,951,764.63
Payment to and for employees		17,704,156.13	15,360,891.13
Payment of various of taxes		33,171,670.65	17,088,379.65
Payment relating to other operating activities		103,244,189.93	36,299,329.34
Sub-total of cash outflows		593,835,433.90	1,334,700,364.75
Net cash outflow from operating activities	19(1)	(70,239,939.18)	(410,852,356.81)
II. Cash flows from investing activities:			
Proceeds from disposal of investments		—	12,542,166.17
Net proceeds from disposal of fixed assets		43,504.85	1,200.00
Sub-total of cash inflows		43,504.85	12,543,366.17
Payment for acquisition of fixed assets, intangible assets and other long-term assets		299,172.03	2,613,541.90
Sub-total of cash outflows		299,172.03	2,613,541.90
Net cash (outflow)/inflow from investing activities		(255,667.18)	9,929,824.27

The notes on pages 48 to 146 form part of this interim financial report.

Cash flow statement (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2015	2014
III. Cash flows from financing activities:			
Proceeds from borrowings		200,000,000.00	200,000,000.00
Sub-total of cash inflows		200,000,000.00	200,000,000.00
Repayments of borrowings		200,000,000.00	300,000,000.00
Payment for interest		11,097,460.35	8,255,000.00
Payment for other financing activities	19(5)	63,351,827.12	—
Sub-total of cash outflows		274,449,287.47	308,255,000.00
Net cash outflow from financing activities		(74,449,287.47)	(108,255,000.00)
IV. Net decrease in cash and cash equivalents	19(2)	(144,944,893.83)	(509,177,532.54)
Add: cash and cash equivalents at the beginning of the period		843,395,937.87	1,204,812,278.53
V. Cash and cash equivalents at the end of the period	19(3)	698,451,044.04	695,634,745.99

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

Note	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			
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB		
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	1,050,777,519.57	2,711,902,748.82	
II. Changes in equity for the period											
1. Total comprehensive income	-	-	-	-	(446,957.72)	-	143,394,302.13	142,947,344.41	56,207,235.03	199,154,579.44	
2. Shareholders' contributions and reduction											
- Increase from a business combination involving enterprises not under common control	-	-	-	-	-	-	-	-	64,703,869.76	64,703,869.76	
- Reduction by owners	-	-	-	-	-	-	-	-	(229,332.45)	(229,332.45)	
3. Appropriation of profits											
- Distributions to shareholders	-	-	-	-	-	-	(62,646,280.05)	(62,646,280.05)	(44,370,000.52)	(107,016,280.57)	
4. Special reserve											
- Accrued	-	-	-	14,819,710.84	-	-	-	14,819,710.84	11,613,933.50	26,433,644.34	
- Utilised	-	-	-	(10,237,075.89)	-	-	-	(10,237,075.89)	(8,402,760.76)	(18,639,836.65)	
Sub-total	-	-	-	4,582,634.95	(446,957.72)	-	80,748,022.08	84,883,699.31	79,522,944.56	164,406,643.87	
III. Balance as at 30 June 2015	417,641,867.00	281,810,000.00	170,451,076.51	27,447,542.59	(38,409,384.83)	136,839,287.38	750,228,539.91	1,746,008,928.56	1,130,300,464.13	2,876,309,392.69	

The notes on pages 48 to 146 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2014

(Expressed in Renminbi Yuan)

Attributable to shareholders of the Company											
Note	Share capital RMB	Other equity instrument RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained earnings RMB	Differences on translation of foreign currency financial statements RMB	Total RMB	Non-controlling interests RMB	Total shareholders' equity RMB	
I. Balance as at 31 December 2013	417,641,867.00	—	453,886,352.20	14,833,820.53	130,421,930.77	517,684,409.50	(38,886,623.71)	1,495,581,756.29	715,308,525.87	2,210,890,282.16	
Changes in accounting policies	—	281,810,000.00	(281,810,000.00)	—	—	—	—	—	—	—	
II. Balance as at 1 January 2014	417,641,867.00	281,810,000.00	172,076,352.20	14,833,820.53	130,421,930.77	517,684,409.50	(38,886,623.71)	1,495,581,756.29	715,308,525.87	2,210,890,282.16	
III. Changes in equity for the period											
1. Total comprehensive income	—	—	—	—	—	103,686,177.75	1,558,038.75	105,244,216.50	47,385,673.36	152,629,889.86	
2. Shareholders' contributions											
- Contribution by owners	—	—	—	—	—	—	—	—	5,690,900.00	5,690,900.00	
- Acquisition of non-controlling interests	—	—	(1,230,375.65)	—	—	—	—	(1,230,375.65)	(1,944,880.75)	(3,175,256.40)	
3. Appropriation of profits											
- Distributions to shareholders	V. 11	—	—	—	—	(41,764,186.70)	—	(41,764,186.70)	(14,724,500.94)	(56,488,687.64)	
4. Special reserve											
- Accrued	—	—	—	10,374,979.45	—	—	—	10,374,979.45	8,087,574.11	18,462,553.56	
- Utilised	—	—	—	(7,167,565.54)	—	—	—	(7,167,565.54)	(6,339,797.06)	(13,507,362.60)	
5. Others	—	—	(394,900.04)	—	—	—	—	(394,900.04)	—	(394,900.04)	
Sub-total	—	—	(1,625,275.69)	3,207,413.91	—	61,921,991.05	1,558,038.75	65,062,168.02	38,154,968.72	103,217,136.74	
IV. Balance as at 30 June 2014	417,641,867.00	281,810,000.00	170,451,076.51	18,041,234.44	130,421,930.77	579,606,400.55	(37,328,584.96)	1,560,643,924.31	753,463,494.59	2,314,107,418.90	

The notes on pages 48 to 146 form part of this interim financial report.

Statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2015

(Expressed in Renminbi Yuan)

	Note	Other equity				Retained earnings	Total equity
		Share capital	instrument	Capital reserve	Surplus reserve		
		RMB	RMB	RMB	RMB	RMB	RMB
I. Balance as at 1 January 2015		<u>417,641,867.00</u>	<u>281,810,000.00</u>	<u>262,889,247.11</u>	<u>134,361,198.52</u>	<u>230,987,138.34</u>	<u>1,327,689,450.97</u>
II. Changes in equity for the period							
1. Total comprehensive income		—	—	—	—	27,712,365.02	27,712,365.02
2. Appropriation of profits							
- Distributions to shareholders	V. 11	—	—	—	—	(62,646,280.05)	(62,646,280.05)
Sub-total		—	—	—	—	(34,933,915.03)	(34,933,915.03)
III. Balance as at 30 June 2015		<u>417,641,867.00</u>	<u>281,810,000.00</u>	<u>262,889,247.11</u>	<u>134,361,198.52</u>	<u>196,053,223.31</u>	<u>1,292,755,535.94</u>

The notes on pages 48 to 146 form part of this interim financial report.

Statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2014

(Expressed in Renminbi Yuan)

	Note	Share capital RMB	Other equity instrument RMB	Capital reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I.	Balance as at 31 December 2013	417,641,867.00	—	545,094,147.15	127,943,841.91	217,813,215.57	1,308,493,071.63
	Changes in accounting policies	—	281,810,000.00	(281,810,000.00)	—	—	—
II.	Balance as at 1 January 2014	417,641,867.00	281,810,000.00	263,284,147.15	127,943,841.91	217,813,215.57	1,308,493,071.63
III.	Changes in equity for the period						
	1. Total comprehensive income	—	—	—	—	33,062,231.82	33,062,231.82
	2. Appropriation of profits						
	- Distributions to shareholders	V. 11	—	—	—	(41,764,186.70)	(41,764,186.70)
	3. Others		—	(394,900.04)	—	—	(394,900.04)
	Sub-total	—	—	(394,900.04)	—	(8,701,954.88)	(9,096,854.92)
IV.	Balance as at 30 June 2014	417,641,867.00	281,810,000.00	262,889,247.11	127,943,841.91	209,111,260.69	1,299,396,216.71

The notes on pages 48 to 146 form part of this interim financial report.

Notes to the interim financial report

(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 2004, 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.

The principal businesses of the Company and its subsidiaries (the "Group") include: (1) motor vehicle transportation and auxiliary services, 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; (2) material supply and logistics services, mainly including logistics management and supply of construction materials for expressways and other sizable infrastructure projects; (3) expressway service zones operation and related auxiliary services, such as operating food and beverage networks, convenience stores, outdoor advertising for expressways and property leasing service; and (4) the operation business and toll collection at TaiPing Interchange in Guangdong Province, the PRC.

The parent of the Company and its ultimate holding company is Guangdong Provincial Communication Group Company Limited ("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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation of interim financial report

The interim financial report has been prepared on the going concern basis.

The interim financial report has been prepared on the going concern basis for the period from 1 July 2015 to 30 June 2016.

As at 30 June 2015, the Group's total current liabilities were in excess of total current assets by RMB 175,055,790.33. As of 30 June 2015, the Group had unutilised bank facilities amounting to RMB 5.032 billion. In addition, on 13 July 2015, China Securities Regulatory Commission approved the Company to conduct the public offering of corporate bonds to the public in a nominal amount not exceeding RMB 780 million. The Group's management believed that the Group has sufficient funds to operate as a going concern in the foreseeable future. Accordingly, the interim financial report is prepared on a going concern basis.

The interim financial report of the Group has been prepared in accordance with the requirements of "Accounting Standard for Business Enterprises No.32 – Interim Financial Reporting" issued by the Ministry of Finance (MOF) of the PRC, and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules"). In accordance with the requirements of "Accounting Standard for Business Enterprises No.32 – Interim Financial Reporting", the explanatory notes to the interim financial report have been simplified as appropriate compared with the notes to the annual financial statements.

(2) Statement of compliance

The Group's interim financial report complies with the requirements of "Accounting Standard for Business Enterprises No.32 – Interim Financial Reporting", and present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2015, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the period then ended. The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements.

(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. The interim financial report period is from 1 January to 30 June.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 combination 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(6) Accounting treatments for business combination 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 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. 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 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(6) Accounting treatments for business combination 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. For the purpose of assessing power, only substantive rights (held by the Group and others) shall be considered. 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. All significant intra-group balances and transactions are eliminated, and any unrealized profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(7) Preparation of consolidated financial statements *(Continued)*

(a) *General principles (Continued)*

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.

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.

(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 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. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts in the financial statements of the ultimate controlling party are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate controlling party of the Company obtains the control of the subsidiary to be consolidated.

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.

For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying value of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(7) Preparation of consolidated financial statements *(Continued)*

(c) Disposal of subsidiaries

When the Group loses control of a subsidiary, the Group derecognises assets, liabilities, non-controlling interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

(d) Changes in non-controlling interests

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve (share premium) under shareholders' equity. If the balance of capital reserve (share premium) is insufficient, any excess is adjusted to retained earnings.

(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; and
- its expenses, including its share of any expenses incurred jointly.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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.

A spot exchange rate is an exchange rate quoted by the People's Bank of China, the State Administration of Foreign Exchange or a cross rate determined based on quoted exchange rates.

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 in foreign currencies are translated using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of available-for-sale financial assets, which are recognised in other comprehensive income.

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 operations 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 (including financial assets or financial liabilities held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative.

Subsequent to initial recognition, 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

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(11) Financial instruments *(Continued)*

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

– Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale and other financial assets which do not fall into any of the above categories.

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).

– Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(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; and
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(11) Financial instruments *(Continued)*

(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; and
- 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.

(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.

Objective evidence that a financial asset is impaired includes but is not limited to:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (iii) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- (v) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
- (vi) a significant decline in the fair value or a prolonged decline in the fair value of an investment in an equity instrument below its cost.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(11) Financial instruments *(Continued)*

(d) Impairment of financial assets (Continued)

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 and/or a collective group 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 Perpetual Subordinated Convertible Securities ("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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 individually 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 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(13) Inventories *(Continued)*

(a) Classification and initial recognition *(Continued)*

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

(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 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(14) Long-term equity investments

(a) *Investment cost*

- (i) 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. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying value of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

- (ii) 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, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(b) Subsequent measurement

(i) 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) 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.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(b) Subsequent measurement (Continued)

(ii) Investment in joint ventures and associates *(Continued)*

- 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.
- 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 ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. 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 associates 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(c) 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.

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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 asset 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.

(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
Building improvements	3 - 5	0	20 - 33.33
Transportation vehicles	4 - 8	0 - 5	11.88 - 25
Machinery and equipment	5 - 12	0 - 5	7.92 - 20
Electronic equipment, office equipment and others	3 - 10	0 - 5	9.5 - 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(16) Fixed assets *(Continued)*

(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. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life, otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

(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.

(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)).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(19) Intangible assets *(Continued)*

Estimated useful life of intangible assets are as follows:

Items	Estimated useful lives (years)
Land use rights	20 - 70/Indefinite
Computer software	5 - 10
Coastline use right	48
Passenger service licences	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
Joint operation earning rights	10

The Group reassesses the useful lives and amortisation method of intangible assets with a finite useful life 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 TaiPing 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 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(20) Long-term deferred expenses

Long-term deferred expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of over one year). Long-term deferred expenses are amortised using the straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Items	Amortisation period (years)
Renovation costs of station auxiliary facilities	5 - 10
Prepaid land use rights rental fee	2 - 23
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 and intangible assets 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

The recoverable amount of an asset (or asset group, set of asset groups, same 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. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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.

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(24) Revenue recognition *(Continued)*

(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.

(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.

Where 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(24) Revenue recognition *(Continued)*

(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 transfer of monetary or non-monetary assets from the government to the Group at no consideration. 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.

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.

For repayment of a government grant already recognised, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period. If there is no related deferred income, the repayment is recognised immediately in profit or loss for the period.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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.

(b) Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(27) Income tax *(Continued)*

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

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 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.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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 in the period in which 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 in the period in which 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. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(28) Operating leases and finance leases *(Continued)*

(d) The Group as lessor under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the aggregate of the minimum lease receipts, the initial direct costs, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are analysed and separately presented as long-term receivables or non-current assets due within one year.

(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. When the short-term employee benefits are not expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related services, and the financial impact is material, the obligation shall be measured on a discounted basis.

(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 income 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.

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

(29) Employee benefits *(Continued)*

(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.

The cost of providing benefits is determined using the projected unit credit method which makes estimates based on unbiased and mutually compatible actuarial assumptions about demographic variables and financial variables that will influence the cost of the benefit. The discounted cost of providing benefit is recognised as a 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.

(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 is not allowed to withdraw the termination benefits arising from the termination plan or redundancy offer unilaterally;
- 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 an appropriate discount rate.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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 of the Group. Related parties of the Group and the Company include, but are not limited to:

- (a) the Company's parent;
- (b) the Company's subsidiaries;
- (c) enterprises that are controlled by the Company's parent;
- (d) investors that have joint control or exercise significant influence over the Group;
- (e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of joint ventures;
- (g) associates of the Group, including subsidiaries of associates;
- (h) principal individual investors of the Group and close family members of such individuals;
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel of the Company's parent and close family members of such individuals;
- (k) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, or close family members of such individuals.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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. An operating segment is a component of the Group

- that engages in business activities from which it may earn revenues and incur expenses;
- whose financial performance is regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and
- for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of

- the nature of each product and service;
- the nature of production processes;
- the type or class 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 actual transaction price 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.

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(33) Significant accounting estimates and judgments *(Continued)*

Impairment of receivables

Receivables that are measured at amortised cost 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. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

Impairment of assets other than inventories and financial assets

As described in Note II. 21, assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount was calculated based on the present value of estimated future cash flows. In assessing value in use and the present value of estimated future cash flows, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

Performing impairment test for goodwill requires a calculation of the present value of estimated future cash flows of the asset group or a set of asset groups related to the goodwill, and an estimation of the future cash flows expected to arise from such asset group or such a set of asset groups. It also requires determining a suitable interest rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(33) Significant accounting estimates and judgments *(Continued)*

Depreciation and amortisation of assets such as investment properties, fixed assets, intangible assets and long-term deferred expenses

Assets such as investment properties, fixed assets, intangible assets and long-term deferred expenses are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

Deferred tax assets

The realisation of deferred tax assets is mainly determined by actual future taxable income and actual tax rate of temporary difference in future years. If the actual future taxable income is less than estimates, or the actual tax rate is lower than estimates, the recognised deferred tax assets shall be reversed, and be recognised in profit and loss for the period in which the reversal is incurred. In addition, as it is unable to determine whether future taxable profits will be available against which deductible tax losses and deductible temporary differences can be utilised, the Group did not recognise deferred tax assets in respect of the deductible tax losses and deductible temporary differences. If the actual future taxable income is more than estimates, or the actual tax rate is higher than estimates, deferred tax assets shall be adjusted accordingly and recognised in the profit and loss in the period in which they are incurred.

Liabilities of retirement benefits

The Group recognises the defined benefit scheme provided to the retired and early retired employees in the future as a liability. The amount of the expenses and liabilities related to the scheme is calculated and paid based on various assumptions, including the discount rate, the growth rate of the salary during the retirement, the growth rate of medical expenses and other factors. Although management considers these assumptions to be reasonable, actual experience and changes in the assumptions will affect the expenses and liabilities related to the employee retirement benefits - defined benefit scheme of the Group.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

III. TAXATION

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%
Business tax	Income from rendering services in highway facilities and other auxiliary facilities	5%
Business tax	Income from construction contracts and toll income	3%
City maintenance and construction tax	Business tax and VAT payable	5%, 7%
Education surcharge and local education surcharge	Business tax and VAT payable	3%, 2%
Embankment protection fee	Operating income except for cross-border transportation income	0.05%, 0.1%, 0.13%
Cultural construction fee	Income from advertisements	3%
Enterprise income tax	Taxable profit (Note 2)	20%, 25%
Hong Kong profits tax	Assessable profit	16.5%

Note 1: Since 1 November 2012, certain of the Group's subsidiaries that meet the conditions of levying VAT instead of business tax pilot shall apply the VAT rates stipulated by "The Implementation Measures of the Pilot of Changing from Business Tax into Value Added Tax for Transportation Industry and Certain Modern Service Industries" (Cai Shui [2011] No. 111) and "The Announcement of Implementation Measures on Value Added Tax Pilot Scheme including Railway Transport and Postal Service Sectors" (Cai Shui [2013] No. 106). Accordingly, 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%.

Note 2: The Group's subsidiaries Chaozhou City Yueyun High Speed Passenger Traffic Co., Ltd. and Guangdong Gangtong Vehicles Transportation Company Limited meet the conditions of small-scaled minimal profit enterprise. Since 29 November 2011, pursuant to the Announcement of Preferential tax treatment of Small-scaled minimal profit enterprise (Cai Shui [2011] No. 117), the Small-scaled minimal profit enterprise with an annual taxable income below RMB 60,000 (60,000 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 2012 to 31 December 2015. Except for above two subsidiaries, the income tax rate applicable to the Company and each of its subsidiaries for the period is 25% (2014: 25%).

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

1 Subsidiaries acquired through business combination not under common control during the period

No.	Full name of the subsidiary	Type	Incorporation place	Registration place	Business nature	Registration capital	Period end actual investment	Share holding percentage (%)	Voting rights percentage (%)
1	Shanwei Yueyun Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 35,000,000.00	RMB 35,000,000.00	51	51
2	Lufeng Land Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 40,000,000.00	RMB 40,000,000.00	100	100
3	Hailong Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 30,000,000.00	RMB 30,000,000.00	100	100
4	Shanwei General Vehicle Station	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 110,000.00	RMB 110,000.00	100	100
5	Shanwei City Bus Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 580,000.00	RMB 580,000.00	54.74	54.74

Notes to the interim financial report

(Expressed in Renminbi Yuan)

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(Continued)

2 Business combinations not involving enterprises under common control during the period

On 28 January 2015, the acquisition date, the Group's subsidiary, Guangdong Vehicles Transportation Group Co., Ltd. ("GVTG") acquired 51% equity interests of Shanwei Yueyun Transportation Company Limited by paying cash of RMB66,846,000.00 as acquisition costs.

The fair value of the 51% equity interests as at the acquisition date was RMB67,334,634.64.

Shanwei Yueyun Transportation Company Limited was established on 21 June 1988 in Shanwei, Guangdong, with its head office located in Shanwei City. It is mainly engaged in providing passenger and freight transportation services. Before the acquisition, its ultimate holding company was Shanwei State-owned Assets Supervision and Administration Commission.

Key financial information of Shanwei Yueyun Transportation Company Limited is as follows:

	From 28 January 2015 (acquisition date) to 30 June 2015 RMB
Revenue	47,496,338.91
Net profit	3,156,922.97
Net cash inflow	7,281,647.08

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(Continued)

2 Business combinations not involving enterprises under common control during the period (Continued)

The identifiable assets and liabilities:

	28 January 2015		31 December 2014
	Carrying amount RMB	Fair value RMB	Carrying amount RMB
Current assets	44,195,674.17	44,195,674.17	47,629,638.25
Investment properties	20,856,166.81	20,856,166.81	20,924,030.72
Fixed assets and construction in progress	61,645,094.17	61,645,094.17	53,932,453.56
Intangible assets	89,196,029.43	89,196,029.43	89,340,861.71
Other non-current assets	4,340,803.23	4,340,803.23	5,064,138.32
Current liabilities	(76,538,436.63)	(76,538,436.63)	(70,588,970.25)
Non-current liabilities	(11,656,791.23)	(11,656,791.23)	(13,311,799.86)
Identifiable net assets	<u>132,038,539.95</u>	<u>132,038,539.95</u>	<u>132,990,352.45</u>

3 Exchange rate used for major items in the financial statements of overseas operating entities

As at 30 June 2015, overseas subsidiaries translate all asset and liability items in their balance sheet by applying the spot exchange rate at the period end as HKD 1 against RMB 0.7886; and all items in the income statement and items reflecting the distributions of profits are translated by applying the average exchange rate during the period as HKD 1 against RMB 0.7888.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT

1 Accounts receivable

The Group assessed the credit worthiness of potential customers and set corresponding credit limits according to the internal credit assessment policies before accepting new customers. Apart from usually requiring new customers to make advance payments, various companies of the Group have different credit policies, depending on their business market and operation requirements. Credit period is generally 3 months, while the credit period to major customers can be extended to 6 months.

The ageing analysis of the accounts receivable is as follows:

The Group

As at 30 June 2015

Ageing	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 3 months (inclusive)	496,276,942.65	—	496,276,942.65
Over 3 months and within 6 months (inclusive)	54,005,879.44	—	54,005,879.44
Over 6 months and within 1 year (inclusive)	60,910,393.50	89,764.00	60,820,629.50
Over 1 year and within 2 years (inclusive)	25,638,103.95	1,553,493.06	24,084,610.89
Over 2 years and within 3 years (inclusive)	10,513,145.63	571,429.69	9,941,715.94
Over 3 years	184,205,443.63	29,032,657.69	155,172,785.94
Total	<u>831,549,908.80</u>	<u>31,247,344.44</u>	<u>800,302,564.36</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

1 Accounts receivable (Continued)

The Group

As at 31 December 2014

Ageing	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	394,323,330.02	—	394,323,330.02
Over 3 months and within 6 months (inclusive)	37,144,021.08	—	37,144,021.08
Over 6 months and within 1 year (inclusive)	39,508,418.09	—	39,508,418.09
Over 1 year and within 2 years (inclusive)	30,110,893.01	506,425.30	29,604,467.71
Over 2 years and within 3 years (inclusive)	4,099,157.51	386,725.44	3,712,432.07
Over 3 years	193,775,501.63	29,781,033.24	163,994,468.39
Total	<u>698,961,321.34</u>	<u>30,674,183.98</u>	<u>668,287,137.36</u>

The Company

As at 30 June 2015

Ageing	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	122,575,383.29	—	122,575,383.29
Over 3 months and within 6 months (inclusive)	55,081,193.76	—	55,081,193.76
Over 6 months and within 1 year (inclusive)	7,652,314.02	—	7,652,314.02
Over 1 year and within 2 years (inclusive)	19,693,898.04	—	19,693,898.04
Over 2 years and within 3 years (inclusive)	8,731,468.62	—	8,731,468.62
Over 3 years	167,347,180.39	26,839,524.46	140,507,655.93
Total	<u>381,081,438.12</u>	<u>26,839,524.46</u>	<u>354,241,913.66</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

1 Accounts receivable (Continued)

The Company

As at 31 December 2014

Ageing	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	151,787,212.47	—	151,787,212.47
Over 3 months and within 6 months (inclusive)	5,351,564.62	—	5,351,564.62
Over 6 months and within 1 year (inclusive)	18,139,071.42	—	18,139,071.42
Over 1 year and within 2 years (inclusive)	25,394,905.54	—	25,394,905.54
Over 2 years and within 3 years (inclusive)	1,379,243.34	—	1,379,243.34
Over 3 years	<u>180,377,513.58</u>	<u>26,839,524.46</u>	<u>153,537,989.12</u>
Total	<u>382,429,510.97</u>	<u>26,839,524.46</u>	<u>355,589,986.51</u>

2 Available-for-sale financial assets

As at 30 June 2015 and 31 December 2014, the available-for-sale financial assets of the Group and the Company were available-for-sale equity investments.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3 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 31 December 2014	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 period	632,066.00	—	1,658,068.91	11,726,509.82	165,471,583.93	—	179,488,228.66
Transferred from construction in progress	78,372,540.08	1,246,968.24	2,469,344.96	3,744,479.45	69,067,330.49	—	154,900,663.22
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
Foreign currency financial statement							
translation differences	(6,172.95)	—	(366.22)	(2,301.64)	(78,204.37)	—	(87,045.18)
Disposals during the period	(31,459,966.35)	—	(508,831.94)	(1,687,457.05)	(95,369,640.58)	—	(129,025,895.92)
Transferred to investment properties	(481,042.86)	—	—	—	—	—	(481,042.86)
Balance as at 30 June 2015	784,680,445.92	114,138,270.82	111,789,150.12	195,638,183.20	1,984,529,898.69	84,145,939.93	3,274,921,888.68
Accumulated depreciation							
Balance as at 31 December 2014	(147,675,482.78)	(91,002,219.89)	(48,558,363.46)	(112,733,744.88)	(870,693,195.98)	(5,387,936.68)	(1,276,050,943.67)
Charges during the period	(13,427,004.18)	(3,529,491.40)	(3,315,805.87)	(12,829,263.46)	(147,569,387.53)	(1,184,527.17)	(181,855,479.61)
Foreign currency financial statement							
translation differences	3,327.56	—	366.27	1,520.23	61,706.36	—	66,920.42
Written off on disposal	4,066,463.98	—	450,586.93	1,646,436.04	85,807,645.35	—	91,971,132.30
Transferred to investment properties	177,744.13	—	—	—	—	—	177,744.13
Balance as at 30 June 2015	(156,854,951.29)	(94,531,711.29)	(51,423,216.13)	(123,915,052.07)	(932,393,231.80)	(6,572,463.85)	(1,365,690,626.43)
Provision for impairment losses							
Balance as at 31 December 2014 and 30 June 2015	—	—	(875,852.00)	—	—	—	(875,852.00)
Carrying amount							
As at 30 June 2015	627,825,494.63	19,606,559.53	59,490,081.99	71,723,131.13	1,052,136,666.89	77,573,476.08	1,908,355,410.25
As at 31 December 2014	559,348,810.99	21,889,082.69	58,387,852.81	68,917,606.58	951,639,083.22	78,758,003.25	1,738,940,439.54

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

3 Fixed assets *(Continued)*

As at 30 June 2015, the original cost of fixed assets that are fully depreciated but are still in use is RMB 601,134,464.27 (31 December 2014: RMB 506,029,996.37).

As at 30 June 2015, fixed assets with carrying amount of RMB 149,629,937.57 (31 December 2014: RMB 128,771,634.97) were pledged for bank borrowings. As at 30 June 2015, there are no other restricted fixed assets than those pledged for bank borrowings.

As at 30 June 2015, the carrying amount of buildings without certificate or title of which had not been officially transferred in the Group was RMB 158,978,351.92 (31 December 2014: RMB 117,893,241.13).

The Company

	Transportation vehicles RMB	Electronic equipment, office equipment and others RMB	Total RMB
Cost			
Balance as at 31 December 2014	15,717,429.66	9,499,756.65	25,217,186.31
Additions during the period	—	92,452.41	92,452.41
Disposals during the period	(4,662,972.00)	—	(4,662,972.00)
Balance as at 30 June 2015	<u>11,054,457.66</u>	<u>9,592,209.06</u>	<u>20,646,666.72</u>
Accumulated depreciation			
Balance as at 31 December 2014	(14,858,760.99)	(6,256,131.68)	(21,114,892.67)
Charges during the period	(88,931.56)	(389,091.58)	(478,023.14)
Written off on disposal	4,486,446.84	—	4,486,446.84
Balance as at 30 June 2015	<u>(10,461,245.71)</u>	<u>(6,645,223.26)</u>	<u>(17,106,468.97)</u>
Carrying amount			
As at 30 June 2015	<u>593,211.95</u>	<u>2,946,985.80</u>	<u>3,540,197.75</u>
As at 31 December 2014	<u>858,668.67</u>	<u>3,243,624.97</u>	<u>4,102,293.64</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

4 Intangible assets

The Group

Cost	Land use rights	Joint operation	Computer	Coastline	Passenger	Station and toll	Line license use	Total
	RMB	earning rights	software	use right	service licenses	bridge franchise	rights and route	
	RMB	RMB	RMB	RMB	RMB	operating rights	operation rights	RMB
						RMB	RMB	RMB
							and others	
							RMB	
Balance as at 31 December 2014	569,683,409.87	—	21,830,546.93	7,110,000.00	5,529,526.30	386,018,296.04	3,545,900.00	1,126,997,664.39
Additions during the period	133,698.68	34,207,670.62	116,686.32	—	—	—	60,000.00	41,949,660.67
Additions arising from business combinations not under common control	88,817,104.62	—	—	—	—	—	—	89,196,029.42
Foreign currency financial statement translation differences	(13,231.53)	—	—	—	(2,102.74)	—	—	(15,334.27)
Transferred to investment properties	(4,605,832.00)	—	—	—	—	—	—	(4,605,832.00)
Disposals during the period	(1,449,655.05)	—	(49,757.32)	—	—	—	—	(1,526,431.33)
Balance as at 30 June 2015	652,565,394.59	34,207,670.62	21,897,475.93	7,110,000.00	5,527,423.56	386,018,296.04	3,605,900.00	1,251,995,956.88
Accumulated amortisation								
Balance as at 31 December 2014	(65,263,774.87)	—	(13,528,644.74)	(1,665,605.00)	—	(176,284,619.51)	(364,552.60)	(306,272,334.08)
Charges during the period	(7,429,279.16)	(1,379,639.60)	(3,047,795.89)	(77,633.10)	—	(9,063,990.17)	(163,820.01)	(25,351,255.61)
Foreign currency financial statement translation differences	3,749.55	—	—	—	—	—	—	3,749.55
Transferred to investment properties	46,623.52	—	—	—	—	—	—	46,623.52
Disposals during the period	138,713.69	—	49,757.32	—	—	—	—	215,489.97
Balance as at 30 June 2015	(72,504,067.27)	(1,379,639.60)	(16,526,683.31)	(1,743,238.10)	—	(185,348,609.68)	(528,372.61)	(331,357,826.65)
Carrying amount								
As at 30 June 2015	580,061,327.32	32,828,031.02	5,370,792.62	5,366,761.90	5,527,423.56	200,669,686.36	3,077,527.39	920,638,130.23
As at 31 December 2014	504,419,635.00	—	8,301,902.19	5,444,395.00	5,529,526.30	209,733,676.53	3,181,347.40	820,725,330.31

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

4 Intangible assets (Continued)

As at 30 June 2015, intangible assets with carrying amount of RMB 70,558,818.53 (31 December 2014: RMB 4,231,094.09) were pledged for bank borrowings. As at 30 June 2015, there were no other restricted intangible assets than those pledged for bank borrowings.

As at 30 June 2015, the carrying amount of the land use rights without certificate or title of which had not been officially transferred in the Group was RMB 7,967,658.62 (31 December 2014: RMB 7,682,418.62).

As at 30 June 2015, land use rights with carrying amount of RMB 32,307,747.95 (31 December 2014: RMB 32,307,747.95) were obtained through allocation. As the title document did not stipulate the corresponding useful lives, these land use rights had not been amortised.

The Company

	Computer Software RMB	Toll bridge franchise operating rights RMB	Total RMB
Cost			
Balance as at 31 December 2014 and 30 June 2015	23,433,537.81	334,103,442.14	357,536,979.95
Accumulated amortisation			
Balance as at 31 December 2014	(18,414,380.93)	(175,017,912.64)	(193,432,293.57)
Charges during the period	(1,742,449.00)	(8,455,576.92)	(10,198,025.92)
Balance as at 30 June 2015	(20,156,829.93)	(183,473,489.56)	(203,630,319.49)
Carrying amount			
As at 30 June 2015	3,276,707.88	150,629,952.58	153,906,660.46
As at 31 December 2014	5,019,156.88	159,085,529.50	164,104,686.38

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

5 Short-term loans

The Group

		As at 30 June 2015 RMB	As at 31 December 2014 RMB
Unsecured loans		358,700,000.00	257,700,000.00
Loans secured by mortgages	Note 1	35,000,000.00	15,848,513.34
Loans secured by letter of credit	Note 2	11,165,462.01	12,201,399.44
Total	Note 3	<u>404,865,462.01</u>	<u>285,749,912.78</u>

Note 1: For the details of assets pledged for secured loans, please refer to Note V. 3 and 4.

Note 2: As at 30 June 2015, the loans were secured by the letter of credit issued by the Company to its subsidiary, Yueyun Transportation (HK) Company Limited. The loan period is 60 days (31 December 2014: 60 days).

Note 3: As at 30 June 2015, all the Group's short-term loans are bank borrowings with loan period within 1 year and with fixed interest rates ranging from 1.74% - 6.00% per annum (31 December 2014: 1.71% - 6.00% per annum). According to the loan agreement, the Group had no overdue short-term loan as at 30 June 2015.

The Company

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Unsecured loans	<u>200,000,000.00</u>	<u>200,000,000.00</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

6 Accounts payable

The ageing analysis of the accounts payable based on the transaction dates is as follows:

The Group

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Ageing		
Within 3 months (inclusive)	818,212,325.66	713,148,402.84
Over 3 months and within 6 months (inclusive)	70,858,658.46	42,895,778.94
Over 6 months and within 1 year (inclusive)	151,216,694.76	55,363,083.79
Over 1 year and within 2 years (inclusive)	55,492,327.92	61,910,993.16
Over 2 years and within 3 years (inclusive)	16,121,901.17	56,800,532.77
Over 3 years	21,150,318.99	31,644,076.20
Total	<u>1,133,052,226.96</u>	<u>961,762,867.70</u>

The Company

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Ageing		
Within 3 months (inclusive)	136,746,258.67	112,129,797.98
Over 3 months and within 6 months (inclusive)	11,207,457.03	649,686.36
Over 6 months and within 1 year (inclusive)	24,645,495.27	593,716.02
Over 1 year and within 2 years (inclusive)	9,651,698.51	8,363,253.32
Over 2 years and within 3 years (inclusive)	1,660,436.77	1,554,631.93
Over 3 years	2,017,054.88	7,749,912.98
Total	<u>185,928,401.13</u>	<u>131,040,998.59</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

7 Non-current liabilities due within one year

The Group

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Long-term borrowings due within one year (Note V. 8)	65,094,544.40	54,148,390.58
Long-term payables due within one year	55,233,620.92	53,978,917.13
Bonds payable due within one year (Note 1)	299,622,306.58	299,073,061.26
Deferred income due within one year	4,308,001.66	4,402,111.05
Total	424,258,473.56	411,602,480.02

Note1: Bonds payable due within one year

Item	Period	Issue date	Face value RMB	Discount amount RMB	Amortisation	Amortisation for the period RMB	Carrying
					as at 1 January 2015 RMB		amount as at 30 June 2015 RMB
Non-public directional debt financing	3 years	2012/11/30	300,000,000.00	(3,041,667.00)	2,114,728.26	549,245.32	299,622,306.58

On 30 November 2012, according to "GVTG non-public directional debt financing issuance agreement" and "GVTG underwriting of non-financial corporate debt financing instruments of inter-bank bond market agreement", GVTG entrusted the Bank of HuaXia as the underwriter to issue the non-public directional debt financing instrument for the first phase. The issued amount of first phase is RMB 300 million with a term of three years. The interest is calculated and paid annually at the coupon rate of 5.8% p.a.. The principal will be repaid on maturity. GCGC provides unconditional and irrevocable joint guarantee in full on the principal and interest of the bond. On 30 June 2015, the carrying balance of bonds payable will be due within one year, and was presented as non-current liabilities due within one year.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

8 Long-term loans

The Group

		As at 30 June 2015 RMB	As at 31 December 2014 RMB
Unsecured loans		131,303,921.81	133,298,553.34
Loans secured by mortgages	Note 1	102,650,920.55	90,554,344.92
Pledged loans	Note 2	129,825,000.00	129,825,000.00
Total	Note 3	363,779,842.36	353,677,898.26
Less: long-term loans due within one year			
Including: Unsecured loans		3,204,962.40	4,004,780.89
Loans secured by mortgages		61,889,582.00	50,143,609.69
Sub-total (Note V.7)		65,094,544.40	54,148,390.58
Long-term loans due after 1 year		298,685,297.96	299,529,507.68
Including: Due after 1 year but within 2 years		19,813,504.64	37,493,441.35
Due after 2 years but within 5 years		278,871,793.32	262,036,066.33

Note 1: For the details of assets pledged for secured loans, please refer to Note V. 3 and 4.

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..

Note 3: As at 30 June 2015, all the Group's long-term loans are bank borrowings with interest rates ranging from 5.54% - 8.30% per annum (31 December 2014: 5.54% - 7.50% per annum).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

8 Long-term loans *(Continued)*

The Company

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Unsecured loans	<u>120,000,000.00</u>	<u>120,000,000.00</u>
Including: Due after 2 years but within 5 years	<u>120,000,000.00</u>	<u>120,000,000.00</u>

9 Issuance, repurchase and repayment of securities

The Group did not issue, repurchase or repay any securities during the period.

10 Other equity instrument

The Group and the Company

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
PSCS	<u>281,810,000.00</u>	<u>281,810,000.00</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

10 Other equity instrument *(Continued)*

On 31 December 2012, the Company issued PSCS to GCGC, with a principal amount of RMB 281,810,000, which equals to the issue price. According to the "PSCS agreement", major 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.

As of 30 June 2015, no PSCS had been converted into domestic ordinary shares.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

11 Retained earnings

The Group

		For the six months ended	
		30 June 2015	30 June 2014
		RMB	RMB
Retained earnings at the beginning of the period		669,480,517.83	517,684,409.50
Add: Net profit attributable to the shareholders of the Company for the period		143,394,302.13	103,686,177.75
Less: Final dividends in respect of the previous financial year, approved and declared during the interim period	Note 1	62,646,280.05	41,764,186.70
Retained earnings at the end of the period	Note 2	750,228,539.91	579,606,400.55
Including: Interim dividend approved and declared after the balance sheet date of the interim period	Note 3	—	—
Earnings attributable to the holder of PSCS	Note 4	4,227,150.00	4,227,150.00

The Company

		For the six months ended	
		30 June 2015	30 June 2014
		RMB	RMB
Retained earnings at the beginning of the period		230,987,138.34	217,813,215.57
Add: Net profit for the period		27,712,365.02	33,062,231.82
Less: Final dividends in respect of the previous financial year, approved and declared during the interim period	Note 1	62,646,280.05	41,764,186.70
Retained earnings at the end of the period	Note 5	196,053,223.31	209,111,260.69
Including: Dividends approved and declared after the balance sheet date of the interim period	Note 3	—	—
Earnings attributable to the holder of PSCS	Note 4	4,227,150.00	4,227,150.00

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

11 Retained earnings *(Continued)*

Note 1: A final dividend of RMB 0.15 (tax included) per share for year 2014 with an aggregate amount of RMB 62,646,280.05 were approved by shareholders in the annual general meeting held on 26 June 2015 (prior period in 2014: RMB 0.10 (tax included) per share, amounting to RMB 41,764,186.70 in total).

Note 2: As at 30 June 2015, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB 297,333,208.03 (31 December 2014: RMB 297,333,208.03).

Note 3: The Board does not recommend distribution of an interim dividend for the period (prior period in 2014: RMB 0).

Note 4: As mentioned in Note V. 10, 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.

Note 5: As at 30 June 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 RMB 191,826,073.31 (31 December 2014: RMB 228,169,038.34).

12 Equity attributable to the shareholders of the Company

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(1) Equity attributable to the common share holders of the Company	<u>1,459,971,778.56</u>	<u>1,274,606,774.31</u>
(2) Equity attributable to holders of other equity instrument Including: Principal	<u>281,810,000.00</u>	<u>281,810,000.00</u>
Accumulated undistributed earnings at the beginning of the period	2,818,100.00	2,818,100.00
Add: Earnings and comprehensive income attributable for the period	1,409,050.00	1,409,050.00
Less: Earnings distributed during the period	—	—
Accumulated undistributed earnings at the end of the period	<u>4,227,150.00</u>	<u>4,227,150.00</u>
Subtotal	<u>286,037,150.00</u>	<u>286,037,150.00</u>
Total equity attributable to the shareholders of the Company	<u>1,746,008,928.56</u>	<u>1,560,643,924.31</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

13 Financial expenses

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Interest expenses	33,924,914.65	34,591,333.43
Including: Interest expenses from loans	25,224,914.65	32,264,577.18
Less: Interest income	7,855,318.92	6,635,551.68
Net exchange losses	1,118,461.26	1,138,783.97
Amortisation of unrecognised financial charges	182,179.68	464,915.98
Others	2,389,952.86	2,879,223.28
Total	29,760,189.53	32,438,704.98

The Company

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Interest expenses	11,255,515.89	16,293,522.06
Including: Interest expenses from loans	11,255,515.89	13,560,555.53
Less: Interest income	8,263,105.48	6,857,934.88
Net exchange losses	1,002,612.02	1,126,171.59
Others	316,363.32	396,713.22
Total	4,311,385.75	10,958,471.99

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

14 Investment income

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Income/(loss) from investments in associates under equity accounting	632,880.27	(673,116.06)
Income from investments in joint ventures under equity accounting	2,127,962.38	1,979,112.18
Income from disposal of available-for-sale financial assets	4,992,187.49	—
Gains on disposal of long-term equity investments	—	1,362,053.51
Others	(229,690.69)	(229,690.69)
Total	<u>7,523,339.45</u>	<u>2,438,358.94</u>
Including: Loss from investments in associates under equity accounting attributable to the shareholders of the Company	(790,405.36)	(641,343.32)
Income from investments in joint ventures under equity accounting attributable to the shareholders of the Company	<u>1,971,811.78</u>	<u>1,940,583.67</u>

The Company

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Income from investments in associates under equity accounting	4,433,395.96	1,111,352.79
Gains on disposal of long-term equity investments	—	1,362,053.51
Total	<u>4,433,395.96</u>	<u>2,473,406.30</u>
Including: Income from investments in associates	3,364,000.00	833,514.59
Income from investments in joint ventures	<u>1,069,395.96</u>	<u>—</u>

There are no significant restrictions on remittance of the Group's investment income.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

15 Non-operating income

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Gains on disposals of non-current assets	5,316,810.94	2,758,707.49
Including: Gains on disposals of fixed assets	5,316,810.94	2,758,707.49
Government grants (Note)	35,262,795.50	58,653,978.32
Others	5,794,250.58	1,047,268.43
Total	46,373,857.02	62,459,954.24

Note: Government grants mainly consist of fuel subsidies received by GVTG in accordance with (Cai Jian [2009] No.1008) "Provisional Rules on the Special Funds Administration of Refined Oil Prices Subsidies for Urban and Rural Passenger Transportation" and other relevant regulations, and the subsidies for supporting rural passenger transportation and public transportation operation etc.

16 Income tax expenses

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Current tax expense for the year based on tax law and regulations	87,133,058.56	58,988,027.45
Including: Mainland China	86,835,466.46	58,552,445.70
Hong Kong	297,592.10	435,581.75
Tax filing differences	1,433,047.18	(1,209,977.32)
Changes in deferred tax assets/liabilities	(934,571.07)	(4,633,690.48)
Total	87,631,534.67	53,144,359.65

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

16 Income tax expenses *(Continued)*

The Company

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Current tax expense for the year based on tax law and regulations	8,276,384.54	11,621,021.63
Changes in deferred tax assets	(346,921.91)	—
Total	<u>7,929,462.63</u>	<u>11,621,021.63</u>

For the details of the Company and its subsidiaries' applicable income tax rates, please refer to Note III.

17 Profit before income tax

The Group

Profit before income tax for the period is arrived at after charging/(crediting) the following:

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Depreciation of fixed assets	181,855,479.61	169,447,671.29
Depreciation of investment properties	2,435,335.11	706,448.30
Amortisation of intangible assets	25,351,255.61	18,571,131.10
Amortisation of long-term deferred expenses	5,527,025.19	3,941,609.58
(Reversal)/provision of bad debt provision	(1,597,906.65)	3,669,402.12
Rental expenses	<u>60,514,033.58</u>	<u>20,177,959.00</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

18 Earnings per share

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary share holders of the Company by the weighted average number of ordinary shares in issue during the period. The calculation is as follows:

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Net profit attributable to shareholders of the Company	143,394,302.13	103,686,177.75
Less: earnings attributable to the holder of PSCS	1,409,050.00	1,409,050.00
Net profit attributable to ordinary shareholders of the Company	141,985,252.13	102,277,127.75
Weighted average number of ordinary shares in issue during the period	417,641,867.00	417,641,867.00
Basic earnings per share (RMB/share)	0.34	0.24

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

18 Earnings per share *(Continued)*

(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). The calculation is as follows:

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Net profit attributable to the shareholders of the Company	143,394,302.13	103,686,177.75
Weighted average number of ordinary shares in issue during the period	417,641,867.00	417,641,867.00
Add: Diluted adjustment assuming that all PSCS have been converted into ordinary shares (Note)	102,850,364.00	102,850,364.00
Weighted average number of ordinary shares in issue (diluted)	520,492,231.00	520,492,231.00
Diluted earnings per share (RMB/share)	0.28	0.20

Note: The Company's potential diluted shares are PSCS. The number of ordinary shares could be converted into is calculated by dividing the principal amount of PSCS of RMB 281,810,000.00 by the initial conversion price of RMB 2.74 per share. The initial conversion price is subject to adjustment where the shares of the Company are diluted.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

19 Supplement to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Net profit	199,961,430.82	150,178,473.79
Add: Impairment provisions for assets	(1,597,906.65)	3,669,402.12
Depreciation of fixed assets	181,855,479.61	169,447,671.29
Depreciation of investment properties	2,435,335.11	706,448.30
Amortisation of intangible assets	25,351,255.61	18,571,131.10
Amortisation of long-term deferred expenses	5,527,025.19	3,941,609.58
Gains on disposal of fixed assets, intangible assets, and other long-term assets	(4,667,907.28)	(1,769,671.25)
Financial expenses	33,928,066.50	32,264,577.18
Investment income	(7,523,339.45)	(2,438,358.94)
Decrease/(increase) in deferred tax assets	1,591,764.79	(4,710,881.10)
(Decrease)/increase in deferred tax liabilities	(2,995,199.38)	85,182.62
Increase in gross inventories	(15,680,929.89)	(57,357,884.06)
Increase in operating receivables	(261,385,479.29)	(192,367,818.85)
Increase/(decrease) in operating payables	50,032,237.76	(10,052,206.47)
Changes in special reserve	4,582,634.95	4,955,190.96
Changes in restricted cash	607,725.57	(15,328,189.68)
Decrease in long-term receivables	1,083,528.74	—
(Decrease)/increase in long-term payables	(2,462,040.08)	8,045,051.00
Net cash flow from operating activities	<u>210,643,682.63</u>	<u>107,839,727.59</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

19 Supplement to cash flow statement *(Continued)*

(1) Reconciliation of net profit to cash flows from operating activities: (Continued)

The Company

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Net profit	27,712,365.02	33,062,231.82
Add: Impairment provisions for assets	—	3,707,839.35
Depreciation of fixed assets	478,023.14	513,228.74
Amortisation of intangible assets	10,198,025.92	7,869,983.19
Amortisation of long-term deferred expenses	662,143.98	76,296.78
Losses on disposal of fixed assets, intangible assets, and other long-term assets	133,020.31	8,040.00
Financial expenses	11,255,515.89	13,560,555.53
Investment income	(4,433,395.96)	(2,473,406.30)
Increase in deferred tax assets	(346,921.91)	—
Increase in gross inventories	(16,652,821.45)	(44,427,459.34)
Increase in operating receivables	(50,855,217.28)	(57,733,295.46)
Decrease in operating payables	(48,390,676.84)	(365,016,371.12)
Net cash outflow from operating activities	<u>(70,239,939.18)</u>	<u>(410,852,356.81)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

19 Supplement to cash flow statement (Continued)

(2) Change in cash and cash equivalents:

The Group

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Cash at the end of the period (Note)	1,551,095,931.56	1,552,567,373.21
Less: Cash at the beginning of the period (Note)	1,763,602,999.44	1,710,089,275.02
Add: Cash equivalents at the end of the period	—	—
Less: Cash equivalents at the beginning of the period	—	—
Net decrease in cash and cash equivalents	<u>(212,507,067.88)</u>	<u>(157,521,901.81)</u>

Note: As at 30 June 2015, the balance of cash included customs deposits, deposits for bank acceptance bills, deposits for performance bonds, bid deposits and housing repairment fund in an aggregate amount of RMB 9,495,801.83 (31 December 2014: RMB 10,103,527.40), which was deducted from the balance of cash and cash equivalents.

The Company

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Cash at the end of the period	698,451,044.04	695,634,745.99
Less: Cash at the beginning of the period	843,395,937.87	1,204,812,278.53
Add: Cash equivalents at the end of the period	—	—
Less: Cash equivalents at the beginning of the period	—	—
Net decrease in cash and cash equivalents	<u>(144,944,893.83)</u>	<u>(509,177,532.54)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

19 Supplement to cash flow statement *(Continued)*

(3) Details of cash and cash equivalents

The Group

	As at 30 June 2015 RMB	As at 30 June 2014 RMB
(a) Cash at bank and on hand		
– Cash on hand	15,872,930.74	10,450,533.84
– Bank deposits available on demand	1,535,223,000.82	1,542,116,839.37
– Restricted cash	9,495,801.83	23,232,914.37
(b) Cash and cash equivalents at the end of the period	1,560,591,733.39	1,575,800,287.58
Less: Restricted cash	9,495,801.83	23,232,914.37
(c) Cash and cash equivalents available on demand at the end of the period	<u>1,551,095,931.56</u>	<u>1,552,567,373.21</u>

The Company

	As at 30 June 2015 RMB	As at 30 June 2014 RMB
(a) Cash at bank and on hand		
– Cash on hand	13,250.79	5,020.42
– Bank deposits available on demand	698,437,793.25	695,629,725.57
(b) Cash and cash equivalents at the end of the period	698,451,044.04	695,634,745.99
(c) Cash and cash equivalents available on demand at the end of the period	<u>698,451,044.04</u>	<u>695,634,745.99</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

19 Supplement to cash flow statement *(Continued)*

(4) Information on acquisition of subsidiaries during the period:

The Group	RMB
Consideration of acquisition	<u>66,846,000.00</u>
Cash and cash equivalents paid for acquiring subsidiaries	66,846,000.00
Less: Cash and cash equivalents held by subsidiaries	<u>5,049,101.31</u>
Net cash outflow for the acquisition	<u>61,796,898.69</u>
Non-cash assets and liabilities held by the acquired subsidiaries	
Current assets	39,146,572.86
Non-current assets	176,038,093.64
Current liabilities	(76,538,436.63)
Non-current liabilities	(11,656,791.23)

- (5) Cash payment for other financing activities of the Group represents the net cash outflow in the cash pool accounts, which centrally managed the funds from the bank accounts of 8 related parties.

Cash proceeds from other financing activities of the Company represent the net cash outflow 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 period.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

20 Segment reporting

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group are classified into four segments: motor vehicle transportation and auxiliary services, material logistics services, expressway service zones operation and TaiPing Interchange.

(1) Segment reporting

	Motor vehicle transportation and auxiliary services RMB	Material logistics services RMB	Expressway service zones operation RMB	TaiPing Interchange RMB	Others RMB	Inter-segment elimination RMB	Total RMB
For the six months ended 30 June 2015							
Operating income							
External income	1,491,052,840.32	1,926,064,815.04	389,428,052.19	90,026,027.01	2,577,380.00	—	3,899,149,114.56
Inter-segment income	5,097,569.83	—	752,628.91	—	3,505,549.00	(9,355,747.74)	—
Total segment operating income	1,496,150,410.15	1,926,064,815.04	390,180,681.10	90,026,027.01	6,082,929.00	(9,355,747.74)	3,899,149,114.56
Total segment operating costs	1,100,835,822.53	1,850,799,531.13	279,473,139.28	16,876,856.72	1,414,825.79	(6,462,561.14)	3,242,937,614.31
Segment operating profit	108,350,303.01	27,286,790.31	56,363,680.07	50,953,671.74	761,651.07	(449,820.68)	243,266,275.52

For the six months ended 30 June 2014

Operating income							
External income	1,144,398,850.90	2,846,982,187.81	312,509,896.51	82,932,592.38	1,545,092.40	—	4,388,368,620.00
Inter-segment income	1,540,860.00	—	227,525.80	—	2,390,128.10	(4,158,513.90)	—
Total segment operating income	1,145,939,710.90	2,846,982,187.81	312,737,422.31	82,932,592.38	3,935,220.50	(4,158,513.90)	4,388,368,620.00
Total segment operating costs	881,506,757.29	2,755,558,705.60	244,515,686.29	10,754,467.96	601,839.83	—	3,892,937,456.97
Segment operating profit	51,489,123.01	20,763,562.47	25,139,476.23	45,942,324.22	368,581.71	(885,132.07)	142,817,935.57

As at 30 June 2015

Total segment assets	4,406,125,923.62	2,161,572,184.18	1,026,097,757.58	2,016,468,808.16	43,556,569.50	(2,509,617,086.56)	7,144,204,156.48
Total segment liabilities	2,522,720,972.60	2,240,968,870.68	674,732,229.53	428,839,523.15	56,845,470.46	(1,656,212,302.63)	4,267,894,763.79

As at 31 December 2014

Total segment assets	3,872,636,130.94	2,070,014,497.08	916,423,866.36	2,084,324,118.14	42,497,349.08	(2,232,815,982.12)	6,753,079,979.48
Total segment liabilities	2,113,021,519.24	2,165,797,081.71	611,277,025.39	477,088,172.18	56,547,901.11	(1,382,554,468.97)	4,041,177,230.66

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

20 Segment reporting (continued)

(2) Geographic information

The Group's operating income comes from mainland China and Hong Kong, among which, the income comes from Hong Kong amounted to RMB 107,743,985.34 in the current period (prior period in 2014: RMB 115,571,064.72). As at 30 June 2015, the Group's non-current assets held by the Hong Kong operations amounted to RMB 176,359,517.29 (31 December 2014: RMB 122,158,727.62).

(3) Major customers

No operating income from one single customer of the Group is above 10% of the Group's total operating income for the current period. Operating income from Guangdong Provincial Changda Highway Engineering Company Limited amounting to RMB 557,497,287.08 represents over 10% of the Group's total operating income for the comparative period of 2014.

21 Net current (liabilities)/assets

The Group

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Current assets	3,245,007,198.43	3,109,135,634.74
Less: Current liabilities	3,420,062,988.76	3,202,066,196.82
Net current liabilities	<u>(175,055,790.33)</u>	<u>(92,930,562.08)</u>

The Company

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Current assets	1,648,330,474.19	1,725,763,446.67
Less: Current liabilities	1,354,626,697.54	1,403,564,865.91
Net current assets	<u>293,703,776.65</u>	<u>322,198,580.76</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT *(Continued)*

22 Total assets less current liabilities

The Group

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Total assets	7,144,204,156.48	6,753,079,979.48
Less: Current liabilities	3,420,062,988.76	3,202,066,196.82
Total assets less current liabilities	<u>3,724,141,167.72</u>	<u>3,551,013,782.66</u>

The Company

	As at 30 June 2015 RMB	As at 31 December 2014 RMB
Total assets	2,767,382,233.48	2,851,254,316.88
Less: Current liabilities	1,354,626,697.54	1,403,564,865.91
Total assets less current liabilities	<u>1,412,755,535.94</u>	<u>1,447,689,450.97</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Related parties where a controlling relationship exists:

The Company's ultimate holding company is GCGC.

2 Information of subsidiaries

Except for the subsidiaries newly established during the period as disclosed in Note IV. 1 to the interim financial report, there is no significant change on information of other group subsidiaries.

3 The related parties which have transactions with the Group while no controlling relationship exists:

	Related party relationships
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
Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited	Joint venture
Guangdong Province Bus Terminal Co., Ltd	Joint venture
Guangdong Feida Traffic Engineering Company Limited	Being associate before 30 April 2014, and being associate of a subsidiary of the ultimate holding company since 1 May 2014
Lufeng Shenshan Expressway Company Limited	Associate
Shenzhen Yueyun Investment Development Company Limited ("Shenzhen Yueyun")	Associate
Express Cross-Border Coach Management Company Limited	Associate
Guangdong Guangjiang Expressway Passenger Company Limited	Associate

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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
Shantou City Chaonan Yueyun Sky Island Transportation Company Limited	Associate
Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	Being associate before 31 August 2014, and being subsidiary of the Company since 1 September 2014
Guangdong Guangye Shentong Natural Gas Company Limited	Associate
Guangzhou City Tianhe Coach Terminal Co., Ltd.	Associate
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	Associate
Shantou City Automobile Passenger Traffic Center Co., Ltd.	Associate
Qingyuan Zhongguan Development Co., Ltd.	Associate
Guangdong Oriental Thought Technology Company Limited	Controlled by the ultimate holding company
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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 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 Western Coastal Expressway Zhuhai Section Company Limited	Controlled by the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 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
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 Transpotation Enterprises Company Limited	Controlled by the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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
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 Provincial 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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 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 Traval Tour Transportation Hong Kong Company Limited	Controlled by the ultimate holding company
Zhaoqing City Guang-He Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Gaintop Highway Engineering Construction Group Company Limited	Associate of the ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Associate of a subsidiary of the ultimate holding company
Guangdong Humen Bridge Company Limited	Associate of a subsidiary of the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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
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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period

(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:

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(1) Material logistics service income		
Guangdong Provincial Changda Highway Engineering Company Limited [#]	345,619,186.32	557,497,287.08
Guangdong Gaintop Highway Engineering Construction Group Company Limited [#]	50,925,370.41	212,620,102.92
Guangzhou Xin Yue Asphalt Company Limited [#]	2,550,969.34	73,224,783.53
Total	399,095,526.07	843,342,173.53

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, 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.

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(k) "Amounts due from/to related parties".

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(2) Expressway service zones operation income		
Guangdong Provincial Changda Highway Engineering Company Limited [#]	1,821,146.74	—
Guangdong Bo-Da Expressway Company Limited [#]	409,878.00	688,880.00
Guang-Shen-Zhu Expressway Company Limited [#]	375,801.93	426,133.57
Guangdong Provincial Freeway Company Limited [#]	117,660.00	117,660.00
Guangdong Jiangzhong Expressway Company Limited [#]	—	287,513.46
Jingzhu Expressway Guangzhu Section Company Limited [#]	—	373,227.58
Guangdong He-Hui Expressway Company Limited [#]	—	175,019.00
Others [#]	30,548.21	—
Total	2,755,034.88	2,068,433.61

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(3) Cross-border transportation services income		
Express Cross-Border Coach Management Company Limited	12,134,306.18	9,117,945.04
(4) Repairing income		
Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	—	605,956.93
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	123,614.53	189,779.19
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	117,873.92	185,696.40
Weisheng Freight Company Limited #	17,341.40	32,789.54
Meizhou Yueyun#	79,180.28	16,160.68
Total	338,010.13	1,030,382.74
(5) Rendering of other services income		
Guangzhou Xin Yue Asphalt Company Limited #	679,496.50	—
Guangdong Province Gongbei Vehicles Transportation Company Limited #	755,681.05	498,889.85
Jingzhu Expressway Guangzhu Section Company Limited#	384,525.10	—
Shenzhen Yueyun#	76,504.87	177,379.10
Others	139,841.56	—
Total	2,036,049.08	676,268.95

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(6) Road rescue service income		
Guangdong Province Road & Bridge Construction Development Company Limited#	2,034,112.79	2,041,904.71
Guangdong Guangle Expressway Company Limited#	1,541,037.72	—
Guangdong Western Shen-Shan Expressway Company Limited#	1,260,470.23	1,277,452.47
Guangdong Er-Guang Expressway Company Limited#	996,226.44	155,660.40
Guangdong Provincial Freeway Company Limited#	929,500.02	949,241.67
Guangdong Yun-Wu Expressway Company Limited#	853,527.36	853,527.36
Guangdong Meihe Expressway Company Limited#	748,570.74	755,111.66
Guangdong Yue-Gan Expressway Company Limited#	705,660.36	711,826.32
Guangdong Bo-Da Expressway Company Limited#	772,981.62	601,317.28
Guangdong Kai Yang Expressway Company Limited#	653,773.61	659,486.18
Guangdong Western Coastal Expressway Zhuhai Section Company Limited#	616,181.58	291,762.61
Guangdong Yue Dong Freeway Industry Development Company Limited#	448,545.73	452,465.82
Guangdong Taishan Coastal Expressway Company Limited#	447,674.04	458,105.30
Guangdong He-Hui Expressway Company Limited#	417,688.68	85,970.85
Guangdong Yang-Mao Expressway Company Limited#	413,849.04	421,575.56
Guangdong Yu-Zhan Expressway Company Limited#	—	73,560.37

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(6) Road rescue service income <i>(Continued)</i>		
Guangdong Shanfen Expressway Company Limited [#]	341,690.08	344,675.74
Guangdong Zhaoyang Expressway Company Limited [#]	286,752.36	291,646.17
Guangdong Maozhan Expressway Company Limited [#]	280,188.68	280,188.67
Heyuan He-Long Expressway Company Limited [#]	218,391.54	220,299.76
Guangdong Yuejia Expressway Company Limited [#]	153,341.04	154,680.90
Guangdong Provincial Coastal Expressway Xinhui Section Company Limited [#]	81,233.94	82,653.59
Total	14,201,397.60	11,163,113.39
(7) Rental income		
Guangdong Xinyue Communications Investment Company Limited [#]	1,849,180.00	1,020,958.80
Express Cross-Border Coach Management Company Limited	601,696.64	—
Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited	456,277.00	—
Others	81,486.00	89,433.60
Total	2,988,639.64	1,110,392.40
(8) Disposal income of fixed assets		
Guangdong Guangzhu Expressway West Section Company Limited ^β	34,466,136.56	—

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4 Significant transactions between the Group and its related parties in current period (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

The above transactions under categories (2) - (8) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(9) Purchase of materials		
Guangzhou Xin Yue Asphalt Company Limited#	17,042,892.74	631,333,450.98
Xinyue Company Limited#	—	90,749,470.76
Guangdong Guangye Shentong Natural Gas Company Limited	26,260,171.92	18,462,186.84
Total	43,303,064.66	740,545,108.58

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(10) Expressway service zones operation expenses		
Guang-Shen-Zhu Expressway Company Limited [#]	8,515,458.75	9,761,601.70
Guangdong Guangle Expressway Company Limited [#]	8,849,999.82	—
Guangdong Yue-Gan Expressway Company Limited [#]	4,320,419.09	4,269,643.84
Guangdong Province Road & Bridge Construction Development Company Limited [#]	3,647,222.79	3,421,611.02
Guangdong Kai Yang Expressway Company Limited [#]	3,651,663.80	3,605,939.57
Guangdong Guangzhu Expressway West Section Company Limited [#]	8,933,281.85	5,786,415.78
Guangdong Provincial Freeway Company Limited [#]	2,862,246.99	2,357,937.96
Guangdong Yang-Mao Expressway Company Limited [#]	1,861,149.06	1,983,959.01
Guangdong Meihe Expressway Company Limited [#]	1,828,200.00	2,338,728.38
Guangdong Er-Guang Expressway Company Limited [#]	1,623,517.40	—
Guangdong Yun-Wu Expressway Company Limited [#]	2,212,836.28	1,995,250.91
Guangdong Maozhan Expressway Company Limited [#]	1,417,291.86	1,419,269.88
Guangdong Jiangzhong Expressway Company Limited [#]	1,437,600.00	1,432,896.21
Guangdong Western Shen-Shan expressway Company Limited [#]	2,746,006.63	3,403,793.04
Guangdong Provincial Highway Construction Company Limited [#]	2,336,433.94	1,334,118.25
Guangdong Yu-Zhan Expressway Company Limited [#]	1,271,225.77	1,293,700.26
Guangdong Bo-Da Expressway Company Limited [#]	1,265,740.72	810,598.62
Guangdong Provincial Fokai Expressway Company Limited [#]	1,009,000.02	1,009,000.02

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4 Significant transactions between the Group and its related parties in current period (Continued)

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(10) Expressway service zones operation expenses (Continued)		
Guangdong Shanfen Expressway Company Limited [#]	1,003,144.28	1,088,558.24
Guangfo Expressway Company Limited [#]	1,122,447.32	921,016.56
Jingzhu Expressway Guangzhu Section Company Limited [#]	964,112.59	1,214,290.90
Guangdong Zhaoyang Expressway Company Limited [#]	565,791.67	879,919.97
Heyuan He-Long Expressway Company Limited [#]	758,225.58	708,322.58
Zhaoqing Yuezhaio Expressway Company Limited [#]	616,976.99	600,000.00
Guangdong He-Hui Expressway Company Limited [#]	681,924.48	708,412.72
Guangdong Western Coastal Expressway Zhuhai Section Company Limited [#]	567,600.00	567,600.00
Yunfu City Guangyun Expressway Company Limited [#]	613,548.18	569,319.23
Guangdong Yue Dong Freeway Industry Development Company Limited [#]	469,736.12	375,735.37
Guangdong Taishan Coastal Expressway Company Limited [#]	257,200.02	257,200.02
Foshan Guang-San Expressway Company Limited	150,419.29	401,488.29
Guangdong Yuejia Expressway Company Limited [#]	114,450.00	114,450.00
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited [#]	92,071.82	101,264.40
Guangdong Humen Bridge Company Limited [#]	158,298.17	127,308.00
Guangzhou Shen-Fo Expressway Company Limited [#]	685,361.68	—
Others [#]	37,068.40	46,250.00
Total	68,647,671.36	54,905,600.73

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(a) Sales, rendering of services and purchases, receipt of services (Continued)

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
(11) Rental expenses		
Yueyun Investment Management [#]	850,908.00	850,908.00
Guangdong Gao-Da Property Development Company Limited [#]	684,188.11	562,579.35
Guang-Shen-Zhu Expressway Company Limited [#]	307,807.44	307,806.96
Guangdong Western Shen-Shan Expressway Company Limited [#]	15,000.00	—
Total	<u>1,857,903.55</u>	<u>1,721,294.31</u>
(12) Management fee for Taiping Interchange		
Guangdong Humen Bridge Company Limited [#]	<u>2,350,000.00</u>	<u>2,982,916.32</u>
(13) Receipt of services		
Guangdong Gao-Da Property Development Company Limited [#]	645,909.71	243,357.98
Guangdong HuaLu Transport Technology Company Limited [#]	280,000.00	367,935.00
Guangdong Xinyue Communications Investment Company Limited [#]	321,756.53	188,482.00
Guangdong Humen Bridge Company Limited [#]	300,000.00	300,000.00
Others [#]	198,109.74	160,599.29
Total	<u>1,745,775.98</u>	<u>1,260,374.27</u>

The above transactions under categories (11) - (13) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(b) Lending to related parties

Related parties	Annual interest rate	Opening Balance as at 1 January 2015 RMB	Additions during the period RMB	Repayments during the period RMB	Ending balance as at 30 June 2015 RMB	Period
Shantou City Chaonan Yueyun Sky Island Transportation Company Limited (Note VI. 4(k) Note 1)	6.00%	1,000,000.00	—	500,000.00	500,000.00	24/5/2007-30/08/2015
Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited (Note VI. 4(k) Note 2)	5.40%	2,000,000.00	—	—	2,000,000.00	7/10/2014-7/10/2015
Lufeng Shenshan Expressway Company Limited	7.50%	398,458.89	—	398,458.89	—	1/4/2012-31/3/2015

For details of interest income arising from the above lending, please refer to Note VI. 4(d).

(c) Cash pool transaction

Pursuant to the relevant agreements, the Group centrally manages the funds from 8 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 (k) "Other payables-Cash pool" regarding related parties' cash pool accounts information.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(d) Interest income

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Interest income		
Shantou City Chaonan Yueyun Sky Island Transportation Company Limited	18,616.66	42,706.21

(e) Receipt of information development service

	For the six months ended	
	30 June 2015 RMB	30 June 2014 RMB
Guangdong Oriental Thought Technology Company Limited*	137,539.62	124,000.00
Guangdong Feida Traffic Engineering Company Limited#	—	330,294.85
Guangdong Gaintop Highway Engineering Construction Group Company Limited#	—	1,156,779.03
Total	137,539.62	1,611,073.88

The above transactions have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(f) Entrusted management

		For the six months ended	
		30 June 2015	30 June 2014
		RMB	RMB
Management fee income			
Yueyun Investment Management*	Note 1	3,831,000.00	3,831,000.00
GCGC*		—	300,000.00
Total		3,831,000.00	4,131,000.00

Note 1: According to the Entrusted Management Contract entered into between GVTG and Yueyun Investment Management in June 2012, Yueyun Investment Management fully entrusted GVTG to manage its equity interest in Shenzhen Yueyun, Yangjiang Transportation and Meizhou Yueyun and to operate these three companies. The entrusted management period will end on 31 December 2014. The annual management fees are RMB7,662,000.00 in total. If the number of days of the management period during the year is less than 365 days, the management fees will be determined based on the actual number of days of management. According to the newly signed Entrusted Management Contract between Guangdong Yueyun Transportation Company Limited and Yueyun Investment Management in 31 December 2014, the contracting period of entrusted management is extended to 31 December 2015, 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 the termination of the entrusted management contract. The rights and obligations of Guangdong Yueyun Transportations Company Limited was transferred to GVTG. The management fee for the current period of GVTG was RMB 3,831,000.00.

(g) Trademark and route operation licenses

During the current period and corresponding period of 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.

(h) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

*(i) Property management services**

On 19 June 2012, Yueyun Investment Management entered into an agreement with Guangdong Yunxing Property Management Company Limited ("Guangdong Yunxing"), a subsidiary of the Group, whereby Yueyun Investment Management engaged Guangdong Yunxing to provide property management services on Yueyun Building for a period from 1 June 2012 to 31 May 2014. Guangdong Yunxing has the right to receive management fee and other relevant charges from the tenants of the building as property management service fees. On 29 May 2014, Yueyun Investment Management entered into an agreement with Guangdong Yunxing to extend the period for property management to 31 December 2016.

(j) Guarantees

In 2012, GVTG issued the first phase of 3-year non-public directional debt financing tools of RMB 300 million with an interest rate of 5.8% per annum. GCGC provides an unconditional and irrevocable joint liability guarantee for the total amount of principal and interest of such bonds.

(k) Amounts due from/to related parties

Caption	Related parties	As at	As at	
		30 June 2015	31 December 2014	
		RMB	RMB	
Accounts receivable	Guangdong Xinyue Communications Investment Company Limited	61,111,577.65	59,653,027.44	
	Guangdong Zhaoyang Expressway Company Limited	6,059,866.93	4,420,305.14	
	Guangdong Province Road & Bridge Construction Development Company Limited	58,067,566.27	54,450,177.91	
	Zhaoqing City Guang-He Expressway Company Limited	46,119,527.10	46,119,527.10	
	Guangdong Yun-Wu Expressway Company Limited	26,457,273.16	26,643,073.51	
	Guangdong Provincial Freeway Company Limited	40,862,521.29	11,298,435.07	

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
	Guangdong Provincial Changda Highway Engineering Company Limited	11,087,407.67	20,635,495.83
	Guangzhou Xin Yue Asphalt Company Limited	1,337,802.34	722,361.55
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	19,811,860.00	14,210,819.56
	Guangdong Bo-Da Expressway Company Limited	13,940,369.61	14,465,478.97
	Guangdong Guangle Expressway Company Limited	10,929,166.14	13,474,688.07
	Guangdong Humen Bridge Company Limited	15,880,802.43	5,563,344.74
	Guangdong Ping-Xing Expressway Company Limited	—	2,378,363.78
	Express Cross-Border Coach Management Company Limited	184,517.04	1,429,045.04
	Guangdong Guangzhu Expressway West Section Company Limited	1,401,196.76	1,401,196.76
	GCGC	1,200,000.00	1,200,000.00
	Guangdong Meihe Expressway Company Limited	1,701,311.63	1,975,576.73
	Guangdong Chao-Hui Expressway Company Limited	15,006,637.22	—
	Weisheng Transportation Enterprises Company Limited	6,835,352.87	—
	Guangdong Bao-Mao Expressway Company Limited	67,593,887.10	—
	Guangdong Luo-Yang Expressway Company Limited	27,691,852.04	—
	Yueyun Investment Management	3,831,000.00	—
	Others	6,125,159.13	5,096,407.43
	Total	443,236,653.38	285,137,324.63

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
Accounts payable	Guangzhou Xin Yue Asphalt Company Limited	27,637,279.52	23,723,723.68
	Guangdong Western Shen-Shan Expressway company Limited	4,702,350.24	4,079,552.21
	Guangdong Provincial Freeway Company Limited	19,875,639.58	18,733,471.47
	Guangdong Province Road & Bridge Construction Development Company Limited	9,540,841.41	10,943,769.74
	Guang-Shen-Zhu Expressway Company Limited	2,015,476.72	7,999,915.85
	Guangdong Xinyue Communications Investment Company Limited	6,952,651.81	7,203,455.41
	Guangdong Provincial Highway Construction Company Limited	8,218,187.64	6,351,723.92
	Guangdong Zhaoyang Expressway Company Limited	3,651,050.01	6,254,919.97
	Guangdong Provincial Changda Highway Engineering Company Limited	1,846,279.44	4,936,755.84
	Guangdong Shanfen Expressway Company Limited	5,777,944.94	4,948,790.63
	Guangdong Guangle Expressway Company Limited	13,471,666.39	4,621,666.57
	Guangdong Provincial Fokai Expressway Company Limited	5,213,166.71	4,204,166.69
	Guangdong Yue Dong Freeway Industry Development Company Limited	4,336,639.46	3,965,545.28
	Guangdong Bo-Da Expressway Company Limited	3,691,687.94	2,425,947.22
	Jingzhu Expressway Guangzhu Section Company Limited	2,821,895.54	1,857,782.95
	Guangdong He-Hui Expressway Company Limited	1,100,786.94	1,428,862.46
	Guangfo Expressway Company Limited	1,446,110.92	1,315,087.48
	Zhaoqing Yuezhao Expressway Company Limited	605,833.19	1,200,000.00
	Guangdong Yun-Wu Expressway Company Limited	3,358,748.06	1,145,911.78
	Guangdong Kai Yang Expressway Company Limited	4,683,163.57	1,031,499.77

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
	Guangdong Meihe Expressway Company Limited	288,181.17	213,909.60
	Guangdong Guangzhu Expressway West Section Company Limited	3,714,418.51	76,829.11
	Guangdong Yue-Gan Expressway Company Limited	4,295,566.79	192,772.93
	Guangdong Yuzhan Expressway Company Limited	1,363,567.23	92,341.46
	Guangdong Er-Guang Expressway Company Limited	1,623,517.40	—
	Guangdong Maozhan Expressway Company Limited	1,617,455.12	200,163.26
	Others	4,912,729.92	4,107,915.60
	Total	148,762,836.17	123,256,480.88
Prepayments	Guangzhou Xin Yue Asphalt Company Limited	136,728,137.20	41,701,632.41
	Guangdong Guangzhu Expressway West Section Company Limited	59,525,733.34	53,627,321.89
	Guangdong Zhaoyang Expressway Company Limited	3,256,300.00	—
	Guangdong Province Road & Bridge Construction Development Company Limited	1,728,890.80	26,896.85
	Guangdong Meihe Expressway Company Limited	1,650,000.00	178,200.00
	Guangdong Yang-Mao Expressway Company Limited	1,747,449.98	—
	Guangdong Jiangzhong Expressway Company Limited	1,148,000.02	—
	Others	1,771,616.01	1,236,958.96
	Total	207,556,127.35	96,771,010.11

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
Advances from customers	Guangdong Chao-Hui Expressway Company Limited	—	77,653,067.30
	Guangdong Provincial Highway Construction Company Limited	10,832,843.88	72,990,624.54
	Guangdong Provincial Freeway Company Limited	28,657,305.26	39,382,547.24
	Guangdong Guangle Expressway Company Limited	—	462,311.33
	Guangdong Ping-Xing Expressway Company Limited	82,937,126.82	—
	Guangdong Luo-Yang Expressway Company Limited	—	8,534,236.20
	Guangdong Bao-Mao Expressway Company Limited	—	7,372,198.79
	Guangdong Western Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	2,153,282.88
	Others	1,335,905.99	1,157,582.69
	Total	125,916,464.83	209,705,850.97
	Other receivables	Guangdong Xinyue Communications Investment Company Limited	13,749,184.69
Kee Kwan Motor Road Company Limited		13,763,276.18	13,137,988.21
Yangjiang Transportation		10,670,106.78	10,670,106.78
Guangzhou City Tianhe Coach Terminal Co., Ltd.		73,090.00	73,090.00
Yueyun Investment Management		2,593,682.68	5,134,808.68
Shantou City Automobile Passenger Traffic Center Co., Ltd.		4,707,682.07	4,673,329.98
Guangdong Provincial Changda Highway Engineering Company Limited		5,183,818.70	5,005,849.70
Guangdong Guangye Shentong Natural Gas Co., Ltd.		4,542,524.40	4,542,524.40

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
	Weisheng Transportation Enterprises Company Limited	3,472,791.99	3,352,973.93
	Shenzhen Yueyun	3,624,610.47	3,127,119.11
	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd. (Note 1)	2,348,707.48	3,010,458.69
	Guangzhou City Top-E Ya Tu Expressway Tourism Service Company Limited (Note 2)	2,002,055.36	2,000,000.00
	Qingyuan Zhongguan Development Co., Ltd.	—	1,818,022.35
	Jiangmen Guangjiang Expressway Passenger Company Limited	1,659,000.00	1,659,000.00
	Kwong Fat Transport Company Limited	1,643,254.00	1,643,254.00
	Guangfo Expressway Company Limited	30,000.00	1,630,000.00
	Kee Kwan Travel Tour Transportation HongKong Company Limited	1,493,804.51	1,467,812.01
	Guangdong Litong Properties Investment Company Limited	1,382,256.00	1,381,486.00
	Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	1,081,633.65	1,081,633.65
	Guang-Shen-Zhu Expressway Company Limited	1,116,514.02	1,118,798.92
	Guangdong Guangzhu Expressway West Section Company Limited	36,008,136.56	1,010,000.00
	Guangdong Maozhan Expressway Company Limited Guangdong Province Road & Bridge Construction Development Company Limited	1,000,000.00 728,957.91	1,000,000.00 —
	Guangdong Province Gongbei Vehicles Transportation Company Limited	1,417,390.44	—
	Others	5,866,447.63	7,519,321.85
	Total	120,158,925.52	89,687,298.94

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Note 1: The balance of this receivable item included a loan of RMB 500,000.00 provided by GVTG to its associate, Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.. The loan carries an interest rate of 6.00% per annum and its maturity date is on 30 August 2015.

Note 2: The balance of this receivable item included a loan of RMB 2,000,000.00 provided by Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Group, to its joint venture, Guangzhou City Top-E Ya Tu Expressway Tourism service Company Limited. The loan carries an interest rate of 5.40% per annum and its maturity date is on 7 October 2015.

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
Other payables	Weisheng Transportation Enterprises Company Limited	5,142,719.25	5,456,207.57
	Guangzhou Xin Yue Asphalt Company Limited	2,700,000.00	2,700,000.00
	GCGC	1,964,346.83	2,008,346.83
	Guangdong Xinyue Communications Investment Company Limited	1,414,893.72	1,402,353.54
	Guangdong Litong Properties Investment Company Limited	1,377,946.00	1,377,946.00
	Guangdong Province Transportation Development Company	1,668,740.00	—
	Yueyun Investment Management	1,008,287.00	—
	Others	2,469,675.31	3,648,636.96
	Sub-total	17,746,608.11	16,593,490.90

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4 Significant transactions between the Group and its related parties in current period *(Continued)*

(k) Amounts due from/to related parties (Continued)

Caption	Related parties	As at	As at
		30 June 2015	31 December 2014
		RMB	RMB
Other payables	Meizhou Yueyun	—	32,778,531.55
- cash pool	Guangdong Province Guangshan Expressway Passenger Company Limited	—	6,667,726.78
	Shenzhen Yueyun	—	5,669,231.47
	Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	1,782,538.48	2,259,397.73
	Guangdong Province Bus Terminal Co., Ltd.	1,048,560.50	1,046,487.96
	Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	1,420,594.10	667,965.60
	Others	1,997.80	1,994.16
	Sub-total	4,253,690.88	49,091,335.25
	Total	22,000,298.99	65,684,826.15
Dividends payable	Guangdong Xinyue Communications Investment Company Limited	2,780,436.84	2,780,436.84
Other non-current assets	Guangzhou City Tianhe Coach Terminal Co., Ltd.	9,600,000.00	9,600,000.00

(l) Compensation for key management personnel

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Compensation for key management personnel	2,836,144.35	1,885,898.07

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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 in current period *(Continued)*

(m) Freight transportation outsourcing income

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Weisheng Freight Company Limited [#]	3,362,016.18	—

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 Freight 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 contracting fee of HKD 516,700.00. The contracting fee is negotiated between both parties.

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 Freight Company Limited, under a contact term from 1 March 2015 to 31 December 2017, with a monthly contracting fee of HKD 516,700.00. The contracting fee is negotiated between both parties.

(n) Passenger transportation outsourcing expense

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Weisheng Freight Company Limited [#]	2,053,914.75	—

On 30 July 2014, Weisheng Freight 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 contracting fee of HKD 250,000.00. The contracting fee is negotiated between both parties.

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 Freight Company Limited, under a contact term from 1 March 2015 to 31 December 2017, with a monthly contracting fee of HKD 250,000.00. The contracting fee is negotiated between both parties.

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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 in current period *(Continued)*

(o) Net cash received from operating costs collected and paid on counter party's behalf

	For the six months ended	
	30 June 2015	30 June 2014
	RMB	RMB
Weisheng Freight Company Limited [#]	<u>6,412,012.29</u>	<u>—</u>

On 20 June 2014, Weisheng Freight Company Limited entered into a business cooperation agreement with The Motor Transport Company of Guangdong and Hong Kong. Pursuant to the agreement, the operating costs arose from the business cooperation of any party are collected and paid on another party's behalf from 1 July 2014.

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, and a passenger transportation contracting agreement with Weisheng Freight Company Limited (Note VI. 4(m) and (n)), under a contract term from 1 March 2015 to 31 December 2017. Disbursements incurred for the passenger transportation service was payable by Weisheng Freight Company Limited on behalf of The Motor Transport Company of Guangdong and Hong Kong, disbursements incurred for the freight transportation service was payable by The Motor Transport Company of Guangdong and Hong Kong on behalf of Weisheng Freight Company Limited.

(p) Connected transactions between the Group and its related parties

The above transactions with connected persons constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

β The above transactions with connected persons constitute connected transactions as defined in Chapter 14A of the Listing Rules.

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(Expressed in Renminbi Yuan)

VII. COMMITMENTS

	As at 30 June 2015 RMB	As at 31 December 2014 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	253,697,969.97	50,840,270.84
Capital commitments that have been approved but have not been entered into	178,066,720.78	87,225,394.93
Total	138,065,665.77	431,764,690.75