



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)



粤运快件中心

INTERIM REPORT
2017



售票 物流 旅游 超市

网上飞
FLY-E巴士

广东交通集团

粤运能源

98 # (v)
95 # (v)
92 # (v)
0 # (v)

润滑油



旅运服务中心
旅游包车 定制包车
旅运专线 客服咨询
服务热线: 0660-3397755 业务电话: 13428222200 13509068988



粤运能源

Contents

Company Profile	2
Company Information	3
Financial Highlights	4
Chairman's Statement	6
Management Discussion and Analysis	9
Other Information	28
Unaudited Interim Financial Report	
Review Report	37
Consolidated Balance Sheet	38
Balance Sheet	41
Consolidated Income Statement	44
Income Statement	46
Consolidated Cash Flow Statement	47
Cash Flow Statement	50
Consolidated Statement of Changes In Shareholders' Equity	53
Statement of Changes in Shareholders' Equity	55
Notes to the Interim Financial Report	57

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 providers in the Guangdong Province. The Company was established in 1999 and became listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 03399) in 2005. Currently, the total share capital of the Company is 799,847,800 shares, with approximately 74.12% being held by its controlling shareholder, Guangdong Provincial Communication Group Company Limited (“**GCGC**”), and approximately 25.88% being held by H share shareholders. The Company was included as a constituent of the MSCI Small Cap Indexes – China by Morgan Stanley Capital International Inc., listed on the Fortune China 500, and awarded as the “Best Investment Value Award for Listed Companies” for three consecutive years from 2014 to 2016 and the “13th Five-Year Best Investment Value Award for Listed Companies” of China Securities Golden Bauhinia Awards in 2016.

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

<p>Travel Service Segment:</p> <ul style="list-style-type: none">● Road passenger transportation and auxiliary services● Expressway service zones operation● Energy business● Convenient stores retail● Automobile service business	<p>Modern Logistics Segment:</p> <ul style="list-style-type: none">● Material logistics business● Small parcel express delivery business	<p>Resource Development Segment:</p> <ul style="list-style-type: none">● Operation of Taiping Interchange assets● Advertising media business● Development of self-owned land
--	--	---

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

Company Information

LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

STOCK CODE

03399

REGISTERED OFFICE

8th Floor
No.1731-1735 Airport Road
Guangzhou
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4502, 45th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

BOARD OF DIRECTORS

Executive Directors

Xuan Zongmin
Tang Yinghai
Yao Hanxiong
Fei Dachuan
Guo Junfa

Non-Executive Directors

Li Bin
Chen Min

Independent Non-Executive Directors

Gui Shouping
Peng Xiaolei
Jin Wenzhou
Lu Zhenghua

COMPANY SECRETARY

Zhang Li

AUTHORISED REPRESENTATIVES

Xuan Zongmin
Tang Yinghai

AUDITOR

KPMG Huazhen LLP
8th Floor, KPMG Tower
Oriental Plaza
1 East Chang An Avenue
Beijing
PRC

PRINCIPAL BANKERS

Agricultural Bank of China
China CITIC Bank
Bank of China
Ping An Bank

LEGAL ADVISER

Paul Hastings
21-22/F, Bank of China Tower
1 Garden Road
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

	For the six months ended 30 June 2017 RMB'000	For the six months ended 30 June 2016 RMB'000	Change (%)
Results highlights			
Operating income			
Travel service	2,154,569	1,992,804	8%
Modern logistic	934,179	1,008,929	(7)%
Resource development	143,289	129,899	10%
Total operating income	3,232,037	3,131,632	3%
Gross Profit			
Travel service	477,342	498,213	(4)%
Modern logistic	97,757	52,908	85%
Resource development	105,051	94,805	11%
Total gross profit	680,150	645,926	5%
Taxes and other surcharges	(20,542)	(28,675)	(28)%
Selling and administrative expenses	(346,206)	(351,582)	(2)%
Finance expenses	(22,396)	(22,486)	(0)%
Reversal of asset impairment	2,034	2,934	(31)%
Investment income	25,100	15,201	65%
Other income	39,075	0	
Operating profit	357,215	261,318	37%
Non-operating income and expenses	5,228	45,401	(88)%
Total profit	362,443	306,719	18%
Income tax expenses	(97,119)	(88,480)	10%
Net profit	265,324	218,239	22%
Profit and loss attributable to minority interests	(42,132)	(42,869)	(2)%
Net profit attributable to shareholders of the parent company	223,192	175,370	27%
Basic earnings per share (RMB)	0.28	0.24	17%
Diluted earnings per share (RMB)	0.28	0.22	27%

Financial Highlights

	30 June 2017 RMB'000	31 December 2016 RMB'000	Change (%)
Results highlights			
Total assets	7,923,227	7,662,892	3%
Total net assets	3,468,009	3,354,564	3%
Equity attributable to shareholders of the parent company	2,230,926	2,117,136	5%
Net assets per share attributable to owners of the Company (RMB)	<u>2.79</u>	<u>2.65</u>	<u>5%</u>
	For the six months ended 30 June 2017 RMB'000	For the six months ended 30 June 2016 RMB'000	Change (%)
Gross profit margin (%)	21.04%	20.63%	2%
Interest coverage ratio (times)	13.72	11.09	24%
	30 June 2017	30 December 2016	Change (%)
Gearing ratio (%)	56.23%	56.22%	0%
Current ratio (times)	<u>1.26</u>	<u>1.24</u>	<u>2%</u>

Gross profit margin = Gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

Chairman's Statement

In the first half of 2017, the PRC government took the supply-side structural reform advancement as the mainline and focused on improving economic development quality and efficiency, maintained a stable and sound growth in overall economy. The transportation industry were full of challenges and opportunities in the first half of 2017. The rapid development of rail transportation and online taxi booking further intensified competition in the road transportation market. The continuous increases in both travel frequency and demand of passengers brought new opportunities for the Group to expand businesses. Commercial reconstruction of service zone, continuous promotion of "Yueyun Energy" gas stations and the expansion of convenience store and small package express delivery network are strong driving force for the growth of the Company's business.

In the first half of 2017, the Group strengthened the construction of the strategic management system, duly conducted the tracking, strategic analysis and evaluation of the implementation of the 2017 strategic objectives and key strategic initiatives, and effectively improved strategic execution capacity, formed a virtuous circle system of "Strategic Planning - Business Objectives - Operating Plan - Annual Budget - Performance Management".

In accordance with the "13th Five-Year" Strategic Development Plan, the Group will continue to build the "3+1+1" business development system, promote the optimization of travel service business model, focus on promoting the development of passenger intermodal transport, and facilitate the construction of passenger intermodal transport system across different transportation modes. The Group will enhance the level of intensive operation of the industry, nurturing a number of leading key enterprises in passenger road transportation industry. The Group will also speed up the upgrading of urban public transport service quality and improve rural passenger network coverage. In addition, the Group will promote electronic tickets, network ticketing, and actively embrace the intelligent transportation. With optimistic growth in internet ticketing business, the Group is committed to creating travel service ecosphere.

In the second half of 2017, the Group will continue to focus on mergers and acquisitions of regional transportation resources in accordance with the strategy of "Acquisition - Consolidation - Growth". The Group will continue to expand the oil, gas, power and energy business, convenient stores business and small package express delivery network. The Group will explore models for combination between industry and finance, optimize capital structure, improve the core industry chain, and strive to build the Group into a world-class comprehensive transport service provider.

The main business objectives of the Group in the second half of 2017 are as follows:

Travel Service Segment

1. To continuously increase the reclamation and self-operation of quality transportation routes, strengthen our expansion in the rural passenger transportation market and further improve the layout of rural passenger terminal network. To accelerate the implementation of the Zhanjiang transport resources merger and acquisition project, in order to increase our market share in Guangdong Province.

Chairman's Statement

2. To provide differentiated travel services with customer demand taken as the core, and actively try to adopt new business model by providing autonomous passenger organization, customized shuttle bus and intermodal passenger transportation services; to expedite the building of "transportation + tourism" new business model to establish the synergy-sharing mechanism of traditional transportation business and emerging tourism business.
3. To continue pushing forward the "Four-in-One" business mode to integrate ticketing, retail, small parcel express delivery and traveling into our passenger stations, appropriately control the investment and construction scale of terminals, adopt various methods such as autonomous commercial redevelopment, joint development and exchange to revitalize resources of old terminals and fully exploit the commercial value of terminals.
4. To innovate the commercial development mode of expressway service zones and orderly promote the commercial reconstruction of five pairs of service zones such as Leliu Service Zone. To expedite the development of integrated commercial reconstruction projects such as Houmen Service Zone and Dahuai Service Zone and fix the tenancy marketing agencies to push forward the marketing in the early stage. To introduce more premium brands, and increase business value of service zones.
5. To strengthen the strategic cooperation between self-built and self-operated "Yueyun Energy" gas stations and the four energy enterprises including PetroChina to further reduce refined oil procurement cost. To intervene in oil storage and wholesale business when appropriate, and gradually carry out oil supply business in GCGC to reduce oil materials costs. To diversify marketing methods to enhance brand awareness, and actively cooperate with third-party companies such as China Express (中經匯通) to promote refueling prepaid cards business. To actively push forward charging piles, refueling stations and solar photovoltaic power new energy projects.
6. To establish a convenience store specialized company, and actively adhere to scale expansion mode and accelerate the construction of the "Yueyun Loyee" convenience store network to build integrated convenience stores incorporating passenger transportation and ticketing, small parcel express delivery, retail, car rental, logistics distribution and tour dispatch. To reinforce the promotion of the "Yueyun Loyee" convenience store brand, making it expand to third- and fourth-tier cities and rural markets. With the physical convenience store network, to nurture the O2O e-commerce model focusing on the sale of local specialties of Guangdong Province.
7. To achieve new breakthroughs in automobile service industry and actively explore the emerging industry of automobile service with road rescue services as the core. The business cooperation with Ping An Insurance and other large-scale institutions has been initially identified to achieve extensive development of road rescue.

Chairman's Statement

Modern Logistics Segment

1. To step up tender efforts for key engineering projects in Guangdong Province, expand logistics market for materials such as steel, asphalt and cement; complete marketing for piers, push forward strategic partnership in respect of the asphalt business; actively seek opportunities to intervene in the logistics park projects. To try to build e-commerce platforms for centralized procurement of bulk material for South Guangdong Logistics to expand the downstream network.
2. To achieve the coverage of substantially all prefecture-level cities in the province by stations of the "FLY-E Bus Express (網上飛巴士速遞)" business and endeavor to expand some passenger terminals outside the province; to optimize the platform management and diversify the platform features based on the unified brand, unified business processes, unified service standards and unified settlement model. To accelerate the deep integration with the passenger transportation industry and expand the network rapidly in the form of brand franchise, to break the barrier and achieve cross-border integration. To strengthen the e-commerce drive, extend logistics finance, bonus points redemption and other services.

Resources Development Segment

1. The Group will continue to focus on acquiring resources and enhancing the market control ability in respect of its advertising business by enhancing its ability to develop resources, expand marketing channels, customize precise communication plan and operate the platform in order to deeply explore customers' needs and by carrying out digital media reform of five expressways including Guangzhou-Lechang Expressway and establishing resource management platform to include traditional media, digital media, passenger transportation resources and rapid distribution resources for integrated marketing in order to transform from a advertising resource provider to an integrated multimedia service provider.
2. The Group will actively promote the "Three Olds" redevelopment project declaration and development and will implement the Business Plan for the Development of Land Resources at Passenger Terminals (《客運站場土地資源開發業務規劃》) to accelerate the commercial development of the old Yangxi Station.

The Group will primarily use loan and funds generated from its operation to meet the funding requirements of its main business investment.

Xuan Zongmin

Chairman

Guangzhou, PRC

17 August 2017

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2017, according to the “13th Five-Year” Development Strategy, the Group continued to focus on advancing its travel services and promoted the business expansion of “Yueyun Energy” gas stations and “Yueyun Loyee” convenience stores to facilitate the deep integration of small parcel express delivery business with passenger transportation services. The transformation and upgrading has been achieved by adhering to customer demand as the core with an emphasis on intelligent transportation. Internet ticketing services also recorded an optimistic growth. The Group has been committed to creating an O2O travel service ecosystem business model, and each business segment has continued to maintain stable growth.

Travel Service Segment

1. Road passenger transportation and auxiliary services

	As of 30 June 2017	As of 30 June 2016	Change (%)
Number of passenger transported (0'000)	4,062.78	4,255.61	(4.53)%
Number of passenger transported on a self-operation basis (0'000)	2,806.01	2,780.32	0.92%
Passengers average distance carried (km)	101.25	98.93	2.34%
Passengers carried (100 million passenger-kilometres)	41.13	42.10	(2.29)%
Proportion of self-operated vehicles (%)	65.40%	62.80%	2.60%
Number of followers on Yueyun WeChat ticketing platform (0'000)	128.90	79.22	62.72%
Tickets sold on Yueyun WeChat ticketing platform	864,681	344,200	151.21%
Value of tickets sold on Yueyun WeChat ticketing platform (RMB)	64,443,330	23,317,600	176.37%
Licenses for passenger transportation routes	3,768	3,650	3.23%
Passenger transportation routes	1,473	1,393	5.74%
Operating vehicles	7,856	7,794	0.80%
Of which: Routes vehicles	2,940	2,926	0.48%
Urban-rural buses integration	3,846	3,717	3.47%
Taxis	837	908	(7.82)%
Others (charter coach)	233	243	(4.12)%
Self-operated vehicles	5,138	4,895	4.96%
Of which: Routes vehicles	1,650	1,554	6.18%
Urban-rural buses integration	3,272	3,141	4.17%
Taxis	47	36	30.56%
Others (charter coach)	169	164	3.05%
New energy vehicles	915	616	48.54%
Passenger terminals	83	86	(3.49)%

Management Discussion and Analysis

In the first half of 2017, under the development model of “Acquisition - Consolidation - Growth (併購-整合-增長)”, the Group continued to strengthen the acquisition and consolidation of regional road transportation resources and further improved the network of passenger transportation routes and terminals with an aim to increase its market share within Guangdong Province. As at 30 June 2017, the Group owned 3,768 licenses for passenger transportation routes, 1,473 passenger transportation routes, 7,856 passenger vehicles and 83 passenger terminals. In the first half of 2017, Zhaoqing Yueyun Vehicles Transport Co., Ltd. (肇慶市粵運汽車運輸有限公司) completed its acquisition of Huaiji County Yueyun Urban and Rural Public Traffic Co., Ltd. (懷集縣粵運城鄉公共交通有限公司) and Shanwei City Yueyun Vehicles Transportation Company Limited (汕尾市粵運汽車運輸有限公司) completed its contractual operation of all transportation resources of Lufeng City Qiansheng Vehicles Transportation Company Limited (陸豐市乾盛汽車運輸有限公司). The Group is proceeding with the arrangements as scheduled for the acquisition and consolidation of Guangdong Province Zhanjiang Vehicle Transportation Group Co., Ltd. (廣東省湛江汽車運輸集團有限公司).

The Group actively promoted the reclamation and self-operation of contracted vehicles. According to the strategic layout of “exploring the downstream market (車頭向下)”, the Group put great efforts on rural passenger market, which further improved its road transportation system. In the first half of 2017, the Group reclaimed a total of 111 self-operated vehicles, including 14 rural passenger vehicles. The passenger traffic volume and the relevant revenue by rural passenger transportation continued to maintain steady growth.

The Group took full advantage of its strength in its own transportation resources network and actively expanded its “transportation + tourism” business by combing local tourism resources. The Group has properly connected scenic spots with its own routes with more convenient personalized travel services. By connecting with our “Yuxing (悅行)” APP and WeChat Public Platform, the Group has enhanced its marketing efforts, and achieved new progress of such “transportation + tourism” routes in the first half of 2017 and in-depth digged tourism resources in business lines by relying on the tourism distribution function of passenger station, and part of “transportation + tourism” has begun to show benefits. In addition, Shaoguan Yueyun Vehicles Transportation Co., Ltd. is currently promoting the construction of the tour dispatch centre for Shaoguan East Passenger Station, which will be helpful to optimize traffic distribution at scenic spots and promote regional traffic integration operations.

Management Discussion and Analysis

With customer demand taken as the core, the Group provided differentiated travel services, and actively tried to adopt a new business model by providing autonomous passenger organization, customized shuttle bus and intermodal passenger transportation services. In addition, the Group finished the construction of "Intermodal Transport (聯程聯運)" terminals, which have been put into official operation in Leliu Service Zone. Thus, the new business model of "cross-border + domestic (跨境+內運)" transportation has been achieved, and generated some benefits. The Group will continue to speed up the replication and promotion of the new model of Intermodal Transport to increase the actual loading rates while assuring convenient travel for passengers.

The Group has started to change passenger terminals from "shopkeepers (坐商)" into "itinerant merchants (行商)" and actively explored the operating model of diversified functions including ticket, convenience store retail, small parcel express delivery services and travel service to vigorously build various passenger terminal business districts to enhance the business value of passenger stations, making them become regional comprehensive service centers. As of 30 June 2017, the Group had 43 multifunctional passenger terminal.

Leveraging on "Internet plus (互聯網+)" thinking innovation and with the transformation and upgrading of "Intelligent Transportation (智慧交通)", WeChat Public Platform of "Yueyun Transport" and "Guangdong-Hong Kong Bus" have gradually become important platforms for the marketing and promotion of online domestic and cross-border transportation services. The Group has displayed ticket information online for 102 terminals within Guangdong Province, making it more convenient for passengers to purchase tickets. In the first half of 2017, the Group had recorded a total of 864,700 tickets sold and RMB64.4433 million of ticket sales generated through Yueyun Transport WeChat Public Platform which was followed by 1,289,000 users. The Group ranked second on the list of "Top 100 Trustworthy Road Transportation Enterprises in China (2017) (中國道路運輸百強誠信企業(2017年))" by the China Road Transport Association in 2017.

2. Service zone operation

	As of 30 June 2017	As of 30 June 2016	Change (%)
Operated service zones (pairs)	104	89	16.85%
Operated gas stations	160	140	14.29%
	(including 16 self-operated gas stations)		
Operated convenience stores at service zones	209	118	77.12%

Management Discussion and Analysis

In the first half of 2017, the Group continued to expand its scale in service zone operation. The Group completed the construction and operation for Gaogang Service Zone (unilateral side), Bozhi Service Zone, Bincun Parking Lot, Gaoliang Parking Lot and Sunwei Parking lot. As at 30 June 2017, the Group operated 104 pairs of service zones and 209 convenience stores of expressway service zones.

The Group has tapped into innovative development of commercial real estate in expressway service zones and orderly promoted the commercial transformation of five pairs of service zones including Leliu Service Zone. The development of comprehensive commercial transformation projects in Houmen Service Zone and Da Huai Service Zone has been accelerated. The relevant commercial design plans have been completed and, the bidding and tendering for tenancy marketing agencies is currently under way. The Group is actively promoting the acquisition of the project land use indicators, and carries out the preparation of the business planning proposal and conceptual planning and design for Taihe project. Various famous brands such as Meng Zi Yuan (蒙自源) and Kafelaku Coffee (貓屎咖啡) have been introduced, which can drive the increase in business value of service zones. As at 30 June 2017, the area for attracting merchants achieved 74,643 square meters, and the average rent per square meter increased by 13.5% on a year-on-year basis.

3. Energy Business

As at 30 June 2017, the Group operated 160 gas stations. In the first half of 2017, the Group operated 16 self-built and self-operated gas stations in 8 pairs of service zones along Chaozhou-Huilai Expressway, Jiangmen-Luoding Expressway and Guangzhou-Foshan-Zhaoqing Expressway, and owned 6 gas stations under construction. The Group has innovated operation and management tools, implemented the whole staff marketing and established a brand promotion plan to improve brand awareness. The Group also implemented the HSE (Health, Safety, Environment) management system and "Four" standardizations (design standardization, material standardization, equipment standardization and construction standardization). "Yueyun Energy" gas stations mainly sell No. 0 diesel and Nos. 92, 95 and 98 gasoline, and each station also has a "Loyee (樂驛)" convenience store, which provides various payment methods such as cash, refueling cards, UnionPay cards, WeChat and Alipay, so as to comprehensively increase the refueling consumption experience for vehicle owners.

Management Discussion and Analysis

4. Convenience Store Retail Business

	As of 30 June 2017	As of 30 June 2016	Change (%)
Operated convenience stores (units)	336	159	111.32%
Of which: Convenience stores at service zones (units)	209	118	77.12%
Convenience stores at passenger terminals (units)	127	41	209.76%

The Group is preparing for the establishment of a convenience store specialized company, and has actively adhered to a scale expansion mode and accelerated the construction of the “Yueyun Loyee” convenience store network to build “Four-in-One” integrated convenience stores incorporating passenger transportation and ticketing, small parcel express delivery, retail and tour dispatch. In the first half of 2017, 9 new “Four-in-One” convenience stores were opened, resulting in 55 convenience stores in total. The Group has reinforced the promotion of the “Yueyun Loyee” convenience store brand, making it expand to third- and fourth-tier cities and rural markets. With the physical convenience store network, the Group has nurtured the O2O e-commerce model focusing on the sale of local specialties of Guangdong Province. As of 30 June 2017, the Group operated 336 convenience stores, including 209 convenience stores of service zones and 127 convenience stores of terminals. Along with the scale expansion of convenience stores, both revenue and gross profit of convenience stores have maintained stable growth.

5. Automobile Service Business

Guangdong Yueyun Traffic Rescue Co., Ltd. (廣東粵運交通拯救有限公司) (“Yueyun Rescue”), a subsidiary of the Company, is a professional road rescue enterprise and offers road rescue services for the expressways of GCGC. It has promoted the introduction of unified expressway fee standards for vehicle rescue in Guangdong Province, and established a set of safe and efficient rescue operation process and standards to improve the industry situation. Currently, Yueyun Rescue has a total service mileage of approximately 3,969 km, accounting for 52% of the expressway traffic mileage in Guangdong Province, and thus it has become a leader in the domestic expressway rescue industry. By optimizing stationary point settings and improving operational plans, the punctuality rate for attendance was increased to 88%, and the punctuality rate for obstacle clearance was increased to 96%. The core enterprise competitiveness is built by the ability to respond efficiently and handle the site quickly. The business cooperation with Ping An Insurance and other large-scale institutions has been initially identified to achieve extensive development of road rescue.

Some subsidiaries have explored the establishment of vehicle maintenance business cooperation model in accordance with their local market environment.

Management Discussion and Analysis

Modern Logistics Segment

1. Material Logistics Business

	As of 30 June 2017	As of 30 June 2016	Change (%)
Projects under construction with materials supply	22	24	(8.33)%
Of which: Projects with GCGC	6	10	(40.00)%
Projects with parties other than GCGC	16	14	14.29%
Newly awarded projects with parties other than GCGC	9	9	0.00%
Supply of materials for projects with GCGC (0'000 tons)	9.63	109.51	(91.21)%
Of which: Steel	3.62	15.38	(76.46)%
Asphalt	0.04	2.82	(98.58)%
Cement	5.97	91.89	(93.50)%
Supply of materials for projects with parties other than GCGC (0'000 tons)	41.32	26.64	55.11%
Of which: Steel	16.21	10.86	49.26%
Asphalt	1.25	0.13	861.54%
Cement	23.86	15.65	52.46%
Asphalt warehousing and pier			
Of which: Asphalt vessels docked	22	22	0.00%
Inbound asphalt (0'000 tons)	10.42	12.02	(13.31)%
Outbound asphalt (0'000 tons)	8.34	11.41	(26.91)%

In the first half of 2017, the Group stepped up tender efforts for key engineering projects in Guangdong Province and realize market expansion for materials such as steel, asphalt and cement; proactively carried out marketing for piers and pushed forward strategic partnership in respect of the asphalt business; explored business transformation and sought opportunities to participate in the logistics park project; commenced to build the e-commerce platform for centralized procurement of bulk material for South Guangdong Logistics and expanded the downstream network. The Group cumulatively supplied 198,300 tons of steel, 12,900 tons of asphalt and 298,300 tons of cement in the first half of 2017. The Group participated actively in the market bidding for steel, asphalt and cement and won 10 bids, of which 5 for steel, 4 for asphalt and 1 for cement, with a total tender volume of 1.387 million tons and a tender amount of over RMB4 billion.

In the first half of 2017, the Group greatly promoted the value of Dongguan Pier resources to ensure sustainable development of pier business. The Group has adopted the remaining shoreline resource leasing mode and recruited cooperators for investment and operation; meanwhile, the Group also proactively facilitated the leasing business of pier storage yard; the Group also established Dongguan Jiafu steel storage and transportation center to provide service for the reserves and logistics of steel.

Management Discussion and Analysis

2. *Small Parcel Express Delivery Business*

The Group has basically achieved the coverage of all prefecture-level cities in the province by stations of the “FLY-E Bus Express (網上飛巴士速遞)” business and endeavored to expand some passenger terminals outside the province. We optimized the platform management and diversified the platform features based on the unified brand, unified business processes, unified service standards and unified settlement model. The Group was committed to accelerating the deep integration of the small parcel express delivery business with the passenger transportation industry and expanding the network rapidly in the form of brand franchise, to break the barrier and achieve cross-border integration. The Group also promoted the small parcel express delivery business through e-commerce business and attempted to expand business in various forms such as logistics finance and bonus points redemption. Taking advantage of the logistics, the Group attempted actively to cooperate with the third-party platform to conduct precision marketing and implement the e-commerce business of fresh products. In the first half of 2017, small parcel express platforms comprising Guangdong Wangshangfei Logistics Technology Co., Ltd. had a cumulative acceptance of 478,500 pieces of small parcels with an operating income of RMB14.8064 million.

Resources Development Segment

1. *Operation of Taiping Interchange Assets*

In the first half of 2017, Taiping Interchange’s toll collection business achieved a year-on-year increase of 6% mainly due to the organic growth of traffic volume. Taiping Interchange recorded operating income of approximately RMB100.1 million, which continued to contribute stable cash flow to the Group.

Management Discussion and Analysis

2. Advertising Media Business

	As of 30 June 2017	As of 30 June 2016	Change (%)
Expressway media (outdoor columns, cross-line bridges, gantries and etc.)	448	410	9.27%
Of which: Rate of direct operation (%)	13.00%	3.00%	10.00%
Business from passenger transportation media	928	977	(5.02)%
Of which: Passenger terminals	28	28	0.00%
Passenger buses	758	758	0.00%
Urban buses	142	191	(25.65)%
Business from digital media	305	0	
Of which: LCD display screens	304	0	
LED display screens	1	0	
Highway sections covered by expressway media	54	50	8.00%
Planned location for outdoor columns	1189	1189	0.00%
Developed outdoor media resources	448	410	9.27%
Of which: Outdoor columns	385	368	4.62%
Gantries ads facilities	3	3	0.00%
Cross-line bridge ads facilities	5	5	0.00%
Billboards at toll square	34	15	126.67%
Billboards on the roof of toll stations	13	11	18.18%
Billboards at service zone	6	6	0.00%
Billboards on the roof of service zone	2	2	0.00%

In the first half of 2017, the Group continued to improved its ability to acquire resources and control the market in respect of its advertising business by enhancing its ability to develop resources, expand marketing channels, customize precise communication plan and operate the platform in order to deeply explore customers' needs and by carrying out digital media projects for five expressways including Guangzhou-Lechang Expressway and establishing resource management platform to include traditional media, digital media, passenger transportation resources and rapid distribution resources for integrated marketing in order to transform from a advertising resource provider to an integrated multimedia service provider. As at 30 June 2017, the Group held the operation rights of 448 outdoor media resources along 54 highway sections; developed 928 passenger transportation media; and constructed a total of 1 LED screen and 304 digital LCD screens with the area of advertising resources in operation of more than 100,000 square meters and 11 newly-developed direct customers.

3. *Development of Self-owned Land*

The “Three Olds” redevelopment project of Airport Road land parcel has been in compliance with the latest urban renewal policy “Implementation Opinions of Guangzhou Municipal People’s Government on Improving Urban Renewal Level to Promote the Economical and Intensive Use of Land” (《廣州市人民政府關於提升城市更新水平促進節約集約用地的實施意見》) issued by the Guangzhou Municipal Government on 5 June 2017 and met the planning requirements of project land. It has been incorporated into the annual implementation plan of “Three Olds” redevelopment of Guangzhou City in 2017 and has been listed in the annual key promotion projects of the government of Baiyun District of Guangzhou, the Group will actively promote the project declaration and development.

According to the Business Plan of the Development of Land Resource at the Passenger Terminals (《客運站場土地資源開發業務規劃》), the Group actively promoted the development of the old Yangxi Station in the first half of 2017. Up to now, the Group has completed the preparation of detailed construction plan such as the site plan for the project planning, floor plan, effect picture and estimation of approximate quantities of this project and submitted the same to the housing construction bureau for review. The Group also completed the tendering procedures for entrusted development and management services, building demolition works, preparation of an environmental impact assessment report and obtained the construction land planning permit. The old Yangxi Station was located at the prime area in Yangxi County, Yangjiang City in proximity to the National Highway 325, with a site area of 9,350.95 square meters and the type of the land use right has been changed for commercial and residential purposes. Currently, the Group intends to develop this parcel of land at the plot ratio of 2.14, the building density of 29.64% and the green space rate of 30.06%. The project comprises of two nine-floor buildings and two 16-floor buildings with total gross floor area of 24,179.77 square meters, gross floor area for residential purpose of 16,941.69 square meters and gross floor area for podiums and commercial purposes of 2,998.03 square meters. The final indicators are subject to the approval of government authorities.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's interim results for the six months ended 30 June 2017

For the six months ended 30 June 2017, operating income of the Group amounted to RMB3,232.037 million (the same period in 2016: RMB3,131.632 million), representing a year-on-year increase of RMB100.405 million or 3%. The year-on-year increase in operating income was due to the increase in income from energy business and the retail business of convenience stores. Gross profit amounted to RMB680.150 million (the same period in 2016: RMB645.926 million), representing a year-on-year increase of RMB34.224 million or 5%. The year-on-year increase in gross profit was due to the increase in gross profit resulting from the increase in the settlement price of materials.

For the six months ended 30 June 2017, the Group realized net profit of RMB265.324 million (the same period in 2016: RMB218.239 million), representing a year-on-year increase of RMB47.085 million or 22%; net profit attributable to the shareholders of the Company (the "Shareholders") were RMB223.192 million (the same period in 2016: RMB175.370 million), representing a year-on-year increase of RMB47.822 million or 27%; basic earnings per share were RMB0.28 (the same period in 2016: RMB0.24 per share), representing an increase of 17%. The increase in net profit attributable to the Shareholders was mainly due to (i) the year-on-year increase in gross profit resulting from the year-on-year increase in the settlement price of materials due to market impacts; (ii) the increased investment income of the Group resulting from the year-on-year increase of the net profit for the period of Southern United Assets and Equity Exchange Company Limited, an associate of the Company.

As of 30 June 2017, the gearing ratio of the Group was 56.23% (31 December 2016: 56.22%); the current ratio was 1.26 (31 December 2016: 1.24). The Company has been maintaining a good solvency.

Operating income

Operating income of the Group for the first half of 2017 was mainly derived from three business segments, namely travel service, modern logistics and resource development. Operating income of the Group for the first half of 2017 amounted to RMB3,232.037 million (the same period in 2016: RMB3,131.632 million), representing a year-on-year increase of RMB100.405 million or 3%, which was mainly due to the increase in income from energy business and the convenience stores retail business.

Operating income by business segments:

	As at 30 June 2017		As at 30 June 2016	
	RMB'000	Percentage	RMB'000	Percentage
Travel service	2,154,569	67%	1,992,804	64%
Modern logistics	934,179	29%	1,008,929	32%
Resource development	143,289	4%	129,899	4%
Total	<u>3,232,037</u>	<u>100%</u>	<u>3,131,632</u>	<u>100%</u>

Management Discussion and Analysis

1. *Travel service segment*

Travel service segment is one of the major sources of the Group's operating income. Operating income of such business amounted to RMB2,154.569 million (the same period in 2016: RMB1,992.804 million) for the first half of 2017, representing a year-on-year increase of RMB161.765 million, or approximately 8%, and accounting for approximately 67% (the same period in 2016: 64%) of the Group's total operating income, of which:

- (1) Road transportation and auxiliary services recorded operating income of RMB1,496.183 million (the same period in 2016: RMB1,513.490 million) for the first half of 2017, representing a decrease of RMB17.307 million or approximately 1%.
- (2) As at 30 June 2017, the number of the Group's operated service zones was 104 pairs (the same period in 2016: 89 pairs). Operating income generated from the operations of service zones for the first half of 2017 amounted to RMB130.878 million (the same period in 2016: RMB123.684 million), representing an increase of RMB7.194 million or 6%, which was due to the increase of the number of service zones over the same period in 2016.
- (3) As at 30 June 2017, the number of the operated convenience stores of retail business of convenience stores was 336 (the same period of 2016: 159). The operating income for the first half of 2017 was RMB193.321 million (the same period of 2016: RMB156.251 million), representing an increase of RMB37,070 million or approximately 24%, which was due to the increase of the number of our self-operated "Loyee" convenience stores over the same period in 2016.
- (4) Energy business recorded operating income of RMB280.591 million for the first half of 2017 (the same period in 2016: RMB161.875 million), representing a year-on-year increase of RMB118.716 million or approximately 73%, mainly due to the increase in income from 16 new self-operated gas stations over the same period in 2016.
- (5) Motor service business mainly represents road rescue business, which recorded operating income of RMB53.596 million (the same period in 2016: RMB37.504 million) for the first half of 2017, representing a year-on-year increase of RMB16.092 million, or approximately 43%, as compared to the same period in 2016, mainly due to the increase of operational quantities and improvement of fee standards.

2. *Modern logistics segment*

Modern logistics segment is one of the major sources of the Group's operating income. During the first half of 2017, operating income generated from such services amounted to RMB934.179 million (the same period in 2016: RMB1,008.929 million), representing a year-on-year decrease of RMB74.750 million, or approximately 7%, and accounting for approximately 29% (the same period in 2016: 32%) of the Group's total operating income. The decrease in operating income was mainly due to the decrease in the supply of materials as a result of substantial completion of certain projects.

Management Discussion and Analysis

3. Resource development segment

Resource development segment is a stable source of the Group's operating income. The operating income generated from such segment in the first half of 2017 amounted to approximately RMB143.289 million (the same period in 2016: RMB129.899 million), representing a year-on-year increase of RMB13.390 million, or approximately 10%. Such operating income growth was mainly due to the organic growth of traffic volume for the Taiping Interchange asset operation, of which:

- (1) The Taiping Interchange asset operation recorded operating income of approximately RMB100.096 million (the same period in 2016: RMB94.109 million) for the first half of 2017, representing a year-on-year increase of RMB5.987 million, or approximately 6%.
- (2) Advertising media business recorded operating income of approximately RMB37.382 million (the same period in 2016: RMB30.760 million) for the first half of 2017, representing a year-on-year increase of RMB6.622 million or 22%, mainly due to the increase in income from subsidiaries acquired through a business combination.

Gross profit

Gross profit of the Group for the first half of 2017 amounted to RMB680.150 million (the same period in 2016: RMB645.926 million), representing a year-on-year increase of RMB34.224 million, or approximately 5%. Gross profit margin was 21.04% (the same period in 2016: 20.63%).

Gross profit by business segments:

	As at 30 June 2017		As at 30 June 2016	
	RMB'000	Percentage	RMB'000	Percentage
Travel service	477,342	70%	498,213	77%
Modern logistics	97,757	15%	52,908	8%
Resource development	105,051	15%	94,805	15%
Total	<u>680,150</u>	<u>100%</u>	<u>645,926</u>	<u>100%</u>

Management Discussion and Analysis

1. *Travel service segment*

Gross profit of travel service segment for the first half of 2017 amounted to RMB477.342 million (the same period in 2016: RMB498.213 million), representing a year-on-year decrease of RMB20.871 million, or 4%, and the gross profit margin was 22% (the same period in 2016: 25%). Such decrease of gross profit was mainly attributable to (i) the increase in staff cost and toll charge in road transportation and auxiliary services, (ii) an increase in expenses of property and security business in service zones operations.

- (1) Gross profit of road transportation and auxiliary services for the first half of 2017 amounted to RMB326.134 million (the same period in 2016: RMB345.307 million), representing a year-on-year decrease of RMB19.173 million, or 6%, as compared to the same period last year. Gross profit margin was 22% (the same period in 2016: 23%). The decrease in gross profit was mainly due to the increase in staff cost and toll charge.
- (2) Gross profit of service zones operations for the first half of 2017 amounted to RMB9.090 million (the same period in 2016: RMB8.196 million), representing a year-on-year increase of RMB0.894 million, or approximately 11%, as compared to the same period last year. Gross profit margin was 7% (the same period in 2016: 7%). The increase in gross profit was mainly due to the increase in the number of service zones.
- (3) Gross profit of retail business of convenience stores for the first half of 2017 amounted to RMB39.844 million (the same period in 2016: RMB32.164 million), representing a year-on-year increase of RMB7.680 million, or approximately 24%, as compared to the same period last year. Gross profit margin was 21% (the same period in 2016: 21%). The increase in gross profit was mainly in line with the increase in operating income from self-operated convenience stores.
- (4) Gross profit of energy business for the first half of 2017 amounted to RMB82.631 million (the same period in 2016: RMB100.442 million), representing a year-on-year decrease of RMB17.811 million, or approximately 18%, as compared to the same period in 2016. Gross profit margin was 29% (the same period in 2016: 62%). The decrease in gross profit was mainly in line with the decrease in the one-off admission fees at gas stations as compared to the same period last year.
- (5) Motor service business mainly represents road rescue service, which recorded gross profit of RMB19.643 million (the same period in 2016: RMB12.104 million) for the first half of 2017, representing a year-on-year increase of RMB7.539 million, or approximately 62%, as compared to the same period in 2016. Gross profit margin was 37% (the same period in 2016: 32%). The increase in gross profit was mainly due to the increase in income resulting from increase of operational quantities and improvement of fee standards.

Management Discussion and Analysis

2. *Modern logistics segment*

Gross profit of modern logistics segment for the first half of 2017 amounted to RMB97.757 million (the same period in 2016: RMB52.908 million), representing a year-on-year increase of RMB44.849 million, or 85%. Gross profit margin was 10% (the same period in 2016: 5%). The increase in gross profit and gross profit margin was mainly due to the year-on-year increase in gross profit resulting from the year-on-year increase in the settlement price of materials due to market impacts.

3. *Resource development segment*

Gross profit of resource development segment for the first half of 2017 amounted to RMB105.051 million (the same period in 2016: RMB94.805 million), representing an increase of RMB10.246 million, or 11%, as compared to the same period last year. Such increase in gross profit was mainly due to the increase in operating income as compared to the same period last year. Gross profit margin was 73% (the same period in 2016: 73%).

- (1) Gross profit of the Taiping Interchange asset operation for the first half of 2017 amounted to RMB87.382 million (the same period in 2016: RMB79.356 million), representing an increase of RMB8.026 million, or 10%. Gross profit margin was 87% (the same period in 2016: 84%) for the first half of 2017.
- (2) Gross profit of advertising media business for the first half of 2017 amounted to RMB17.135 million (the same period in 2016: RMB13.639 million), representing an increase of RMB3.496 million or approximately 26%. Gross profit margin was 46% (the same period in 2016: 44%) for the first half of 2017.

Taxes and other surcharges

In the first half of 2017, taxes and other surcharges amounted to RMB20.542 million (the same period in 2016: RMB28.675 million), representing a decrease of RMB8.133 million or 28% over the same period in 2016. Such decrease was mainly attributable to the impact of service zones, Taiping Interchange and leasing services and other business included in the range of implementation of the policy on levying value-added tax in place of business tax.

Selling and administrative expenses

In the first half of 2017, selling and administrative expenses of the Group amounted to RMB346.206 million (the same period in 2016: RMB351.582 million), representing a year-on-year decrease of RMB5.376 million or 2%. Such decrease was attributable to the efforts of control over maintenance expenses.

Finance costs

In the first half of 2017, finance costs amounted to RMB22.396 million (the same period in 2016: RMB22.486 million), representing a decrease of RMB90,000.

Management Discussion and Analysis

Reversal of asset impairment

In the first half of 2017, the reversal of asset impairment losses provision amounted to RMB2.034 million, representing a decrease of RMB0.9 million or 31% as compared to the same period in 2016. Such decrease was mainly due to the reversal of a large amount of impairment provision provided in the previous year by the Group in the same period last year.

Investment income

In the first half of 2017, investment income amounted to RMB25.100 million (the same period in 2016: RMB15.201 million), representing an increase of RMB9.899 million or 65% as compared to the same period in 2016. Such increase was mainly attributable to an increase of investment income of the Group resulting from the year-on-year increase of the net profit for the period of Southern United Assets and Equity Exchange Company Limited, an associate of the Company.

Other income

Other income incurred in the first half of 2017 amounted to RMB39.075 million, attributable to the reclassification of government grants related to daily operations in accordance with the revised *Accounting Standards for Business Enterprises No.16 - Government grants* for the period.

Non-operating income and expenses

In the first half of 2017, non-operating income and expenses amounted to RMB5.229 million (the same period in 2016: RMB45.401 million), representing a decrease of RMB40.172 million or 88% as compared to the same period in 2016, mainly attributable to the government grants related to daily operations reclassified into other income or offsetting against costs in accordance with the revised *Accounting Standards for Business Enterprises No.16 - Government grants*.

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group fully leveraged on the beneficial rate environment of bond market to optimize financial structure and lower overall financial cost through comparatively low cost financial channels such as issuance of corporate bond. The Group enhanced capital allocation through the operation of cash pooling, in order to effectively reduce the need for external borrowings and increase the efficiency of capital utilization. In the first half of 2017, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB4,018.901 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

Management Discussion and Analysis

Items	As at	As at
	30 June	30 June
	2017	2016
	RMB'000	RMB'000
Borrowings (from banks and other financial institutions)	1,405,012	1,155,248
Less: Cash and cash equivalents	1,333,269	1,594,659
Net debt	71,743	(439,411)
Total liabilities	4,455,219	4,308,328
Total shareholder's equity	3,468,009	3,354,564
Total equity	3,539,752	2,915,153
Total assets	7,923,228	7,662,892
Gearing ratio	2.03%	(15.07)%
Asset to liability ratio	56.23%	56.22%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total Shareholder's equity

Asset to liability ratio = Total liabilities/Total assets

Cash flows

In the first half of 2017, the Group satisfied its requirement for payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term liabilities with low interest rates. Cash and cash equivalents in the first half of 2017 (after excluding the effect of exchange rate movement) were as follows:

Cash generated from/(used in)	As at 30 June		
	2017	2016	Change
	RMB'000	RMB'000	RMB'000
Operating activities	(129,315)	105,862	(235,177)
Investing activities	(294,466)	(258,307)	(36,159)
Financing activities	154,138	(250,307)	404,445

Management Discussion and Analysis

Operating activities

In the first half of 2017, the Group's net outflow from operating activities amounted to RMB129.315 million (the same period in 2016: net inflow of RMB105.862 million), representing an increase of net outflow of RMB235.177 million, which was mainly attributable to an increase in prepayment for operation.

Investing activities

In the first half of 2017, the net cash outflow from investing activities was RMB294.466 million (the same period in 2016: net cash outflow of RMB258.307 million), representing an increase of net outflow of RMB36.159 million, which was mainly attributable to a year-on-year increase of RMB44.827 million in the cash payment for investment.

Financing activities

In the first half of 2017, the net cash inflow from financing activities was RMB154.138 million (the same period in 2016: net outflow of RMB250.307 million), representing an increase in net inflow of RMB404.445 million, which was mainly attributable to a year-on-year increase of RMB104.275 million in the cash from borrowings inflow and a year-on-year decrease of RMB326.597 million in cash for debt repayment.

Borrowings position

As at 30 June 2017, outstanding borrowings of the Group was RMB1,405.012 million, comprising (i) unsecured short-term loans of RMB65 million (30 June 2016: RMB25 million); (ii) secured short-term loans of RMB20 million (30 June 2016: RMB20 million); (iii) secured long-term loans of RMB185.863 million (30 June 2016: RMB183.966 million); (iv) unsecured long-term loans of RMB212.387 million (30 June 2016: RMB93.807 million); (v) finance lease payables: RMB96.358 million (30 June 2016: 0.722 million); (vi) pledged loans: RMB50.671 million (30 June 2016: Nil); and (vii) bonds payable of RMB774.733 million (30 June 2016: RMB773.611 million). As at 30 June 2017, the majority of the Group's borrowings were denominated in RMB and were subject to floating or fixed interest rates.

Post balance sheet date events

None

Major acquisitions and establishment of new companies

For the period ended 30 June 2017, the Group invested in the establishment of 2 new companies, including Yangjiang High-tech Zone Yueyun Langri Industrial Company Limited (陽江高新區粵運朗日實業有限公司) and Guangzhou City Yueyun Langri Transportation Co., Ltd. (廣州市粵運朗日交通運輸有限公司) and acquired Huaiji County Yueyun Urban and Rural Public Traffic Co., Ltd. (懷集縣粵運城鄉公共交通有限公司), a subsidiary. The Group had total investment costs of approximately RMB12.550 million in respect of these new companies.

Management Discussion and Analysis

Major properties held for investment

Name of property	Address	Usage	Types of lease
Hong Kong Plaza	Unit 13-14, 24/F and Unit 8-12, 31/F, Hong Kong Plaza, 188 Connaught Road West, Sai Wan, Hong Kong	Operating lease	Short-term (within 10 years)
Zijin Old Station — Main Building, Clock Tower, Office of Canteen	No. 99, Jinshan Boulevard Central, Zijin County	Operating lease	Short-term (within 10 years)
King's Court, Wai Ching Street, Jordan Road, Kowloon	No. 1-2 office, 1/F, King's Court, No. 65, 67, 69, 71, 73, 75, Wai Ching Street, Jordan Road, Kowloon, Hong Kong	Operating lease	Short-term (within 10 years)
Floor 1 to 4, East Block, New Station Office Building	Northwest of Guangfu Road, Haifeng County	Operating lease	Short-term (within 10 years)
Underground Shop, A He An Building, No. 159, North of Sai Yeung Choi Street, Mong Kok, Kowloon	Underground Shop, A He An Building, North of Sai Yeung Choi Street, Mong Kok, Kowloon	Operating lease	Short-term (within 10 years)
Apartment for Drivers	Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City	Operating lease	Short-term (within 10 years)
Suifeng Building	East of People North Road, Donghai Town, Lufeng City	Operating lease	Short-term (within 10 years)
Passenger Traffic Center Building in Lianzhou	No. 136, Beihu Road, Lianzhou	Operating lease	Short-term (within 10 years)
Complex Building of Vehicle Passenger Terminal in Danxia Mountain	Complex Building of Vehicle Passenger Terminal in Danxia Mountain	Operating lease	Short-term (within 10 years)
Commercial Center Property	Next to Xintang Vehicle Passenger Terminal, No.1 Xiangshan Boulevard South, Xintang, Guangzhou	Operating lease	Short-term (within 10 years)

Management Discussion and Analysis

Pledge of assets

As at 30 June 2017, fixed assets at the net value of approximately RMB213.688 million (31 December 2016: RMB239.508 million), land use rights at the net value of RMB127.002 million (31 December 2016: RMB126.497 million) and investment properties at the net value of RMB1.783 million (31 December 2016: Nil) of the Group were pledged as security for bank borrowings of the Group.

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 2017, the working capital and liquidity of the Group were slightly affected by the fluctuations in foreign exchange rate. The directors of the Company (the "**Directors**") believe that the Group will have sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of Renminbi, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

As at 30 June 2017, the Group had no material contingent liabilities.



Other Information

SHARE CAPITAL

As at 30 June 2017, there were a total of 799,847,800 ordinary shares of the Company in issue, over 25% of which were held by the public. The public float satisfied the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). So far as it was known to the Directors, as at 30 June 2017, 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 2017, GCGC directly held 592,847,800 domestic Shares, representing 100% of the issued domestic Shares and approximately 74.12% of the total issued share capital of the Company.

GCGC is a controlling shareholder of the Company. Its legal representative is Deng Xiaohua and its registered capital as at 30 June 2017 was RMB26.8 billion. 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 2017, 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 (Note 1)	Capacity	Approximate percentage in the relevant class of share capital (%)	Approximate percentage in total share capital (%)
GCGC	Domestic Shares	592,847,800	Beneficial owner	100%	74.12%
China Petrochemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
China Petroleum & Chemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec Sales Company Limited	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec (Hong Kong) Limited	H Shares	33,570,000 (Note 2)	Beneficial owner	16.22%	4.20%
Shah Capital Management	H Shares	17,748,000	Investment manager	8.57%	8.22%
Pope Asset Management, LLC	H Shares	12,487,247	Investment manager	6.03%	1.56%
Fullgoal Fund Management Co.,Ltd	H Shares	10,391,000	Investment manager	5.02%	1.30%
E Fund Management Co., Ltd.	H Shares	10,350,000	Investment manager	5.00%	1.29%

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

Notes 2: Sinopec (Hong Kong) Limited is a wholly-owned subsidiary of Sinopec Sales Company Limited and China Petroleum & Chemical Corporation holds as to 70.42% of Sinopec Sales Company Limited while China Petrochemical Corporation holds as to 70.86% of China Petroleum & Chemical Corporation. Accordingly, China Petrochemical Corporation, China Petroleum & Chemical Corporation and Sinopec Sales Company Limited are deemed to be interested in 33,570,000 H shares held by Sinopec (Hong Kong) Limited respectively.

Save as disclosed above, as at 30 June 2017, the Company was not aware of any other interests or short positions in the shares or underlying shares of the Company required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

CHANGES IN SHARES

There is no change in shares of the Company for the six months ended 30 June 2017.

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 2017.

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 2017, 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:

1. Long positions in the Shares, underlying Shares and debentures of the Company:

As at 30 June 2017, none of the Directors, Supervisors or chief executive of the Company held any interests in the Shares, underlying Shares and debentures of the Company.

2. 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	Approximate percentage in the relevant class of share capital (%)
Guangdong Provincial Expressway Development Co. Ltd.	Zhen Jianhui	Personal	9,209	0.0010%

Except as disclosed above, as at 30 June 2017, none of the Directors, Supervisors or 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 of the Company (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 2017 to 30 June 2017. 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 2017.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and the Supervisors of the Company. 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 2017.

Other Information

BOARD OF DIRECTORS

As at 30 June 2017 and up to the date of this report (i.e. 17 August 2017), the Board consisted of 11 members, and the directors in office 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. Li Bin	18 December 2012	N/A
Mr. Chen Min	7 June 2016	N/A
Independent non-executive Directors		
Mr. Gui Shouping	2 February 2004	N/A
Mr. Peng Xiaolei	2 February 2004	N/A
Mr. Jin Wenzhou	4 April 2014	N/A
Ms. Lu Zhenghua	7 June 2016	N/A

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 follows:

Mr. Chen Min, a non-executive Director, was appointed as a director of Guangdong Province Communications Planning & Design Institute Co., Ltd. (an associate of GCGC) in February 2017 and as a director of Guangdong Provincial Expressway Development Co. Ltd. (a subsidiary of GCGC) (a company listed on the Shenzhen Stock Exchange, A share stock code 000429, B share stock code 200429) in July 2017.

Ms. Lu Zhenghua, an independent non-executive Director, was appointed as an independent director of Guangzhou Hi-target Navigation Tech Co., Ltd. (a company listed on the GEM of Shenzhen Stock Exchange, stock code 300177) in April 2017. Ms. Lu Zhenghua ceased to serve as director of Guangdong Dazhi Environmental Protection Technology Co., Ltd (廣東達志環保科技股份有限公司) (a company listed on the GEM of Shenzhen Stock Exchange, stock code 300530) in August 2017.

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, review and supervise the internal control system and risk management of the Group, and provide advice and comments to the Board and monitor the corporate governance of the Company. As at 30 June 2017, the Audit & Corporate Governance Committee consisted of 3 members, namely Mr. Peng Xiaolei and Ms. Lu Zhenghua, independent non-executive Directors, and Mr. Li Bin, a non-executive Director. The Audit & Corporate Governance Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2017 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 2017 and up to the date of this report (i.e. 17 August 2017), the supervisory committee consisted of 7 Supervisors, and the Supervisors in office were as follows:

Name	Effective date of appointment as a Supervisor	Date of resignation as a Supervisor
Shareholder Supervisors		
Mr. Hu Xianhua (Chairman of the supervisory committee)	7 June 2016	N/A
Mr. Wang Qingwei	7 June 2016	N/A
Employee Representative Supervisors		
Mr. Zhen Jianhui	15 April 2014	N/A
Ms. Li Xiangrong	7 June 2016	N/A
Ms. Lian Yuebin	15 August 2017	N/A
Mr. Zhang Deyou	17 April 2017	22 July 2017
Ms. Du Wanyan	7 June 2016	25 January 2017
Independent Supervisors		
Mr. Dong Yihua	7 June 2016	N/A
Mr. Lin Hai	7 June 2016	N/A

For details about the resignation of Ms. Du Wanyan as a Supervisor, please refer to the announcement of the Company dated 25 January 2017; for details about the appointment of Mr. Zhang Deyou as a Supervisor and his resignation as a Supervisor, please refer to the announcements of the Company dated 17 April 2017 and 21 July 2017, respectively; for details about the appointment of Ms. Lian Yuebin as a Supervisor, please refer to the announcement of the Company dated 15 August 2017.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 21,046 employees as at 30 June 2017 (31 December 2016: 21,172). Total staff cost for the six months ended 30 June 2017, including the Directors' remuneration, amounted to approximately RMB824 million (the same period in 2016: approximately RMB769 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 and by reference to the market salary. The performance bonus is determined according to the performance assessment results of the employees.

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

TRAINING OF EMPLOYEES

The Group has always attached great importance to the training and development of human resources, and made endeavor to provide training and education to employees at all levels. The Group has faithfully implemented budgeted standard for training expenses and its implementation plan. As at 30 June 2017, the Group has conducted a total of 472 training courses (excluding network training courses) with 20,800 person participated in and total curriculum period of approximately 9,400 hours. Meanwhile, The Group continues to use network education as another main training approach. The total curriculum period of network education and training for the employees of the Group were approximately 900 hours as at 30 June 2017.

DIVIDEND

The Board has not declared the payment of an interim dividend for the six months ended 30 June 2017.

On 13 March 2017, the Board recommended the payment of a final dividend of RMB0.13 per ordinary share (inclusive of tax) for the year 2016. Such proposal was approved by the Shareholders at the annual general meeting (“AGM”) held on 13 June 2017. The final dividend was paid on 16 August 2017 to Shareholders whose names appear on the Company’s share register of members at 4:30 p.m. on Monday, 26 June 2017. For details, please refer to the announcements of the Company dated 13 March 2017 and 7 August 2017 and the annual report published on 28 April 2017 by the Company.

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 for a term of office until the close of the next AGM of the Company.

Other Information

MATERIAL LITIGATION AND ARBITRATION

As at the date of this report (i.e., 17 August 2017), the Company involved the following material litigation:

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. Guangzhou Intermediate People's Court has ruled that the above case filed by it was closed as the parties subject to enforcement were bankrupt enterprises under the combined bankruptcy case in the course of execution of the above case. Currently, the combined bankruptcy case is ongoing. The Company has made full provision for bad debts regarding the above mentioned defaulted prepayment and will continue to strengthen its effort to recover the same. Currently, the possibility of recovering the related prepayment remains uncertain.

All Shareholders of Guangdong Yueyun Transportation Company Limited:

We have reviewed the accompanying interim financial report of Guangdong Yueyun Transportation Company Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated balance sheet and balance sheet as at 30 June 2017, and the related consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the six-month period then ended and notes to the interim financial report. The Company's management is responsible for preparing the interim financial report in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting", issued by the Ministry of Finance of the People's Republic of China. Our responsibility is to issue a report on the interim financial report based on our review.

We conducted our review in accordance with "China Standard on Review No. 2101 - Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial report is free from material misstatement. A review is limited primarily to inquiries of personnel of the Group and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial report is not presented fairly, in all material respects in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting".

KPMG Huazhen LLP

Certified Public Accountants
Registered in the People's Republic of
China

Wang Jie

Beijing, China

Li Wanmin
17 August 2017

Consolidated balance sheet (unaudited)

As at 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2017	As at 31 December 2016
Assets			
Current Assets			
Cash at bank and on hand		1,333,268,569.18	1,604,382,476.44
Bills receivable		4,248,499.44	5,637,453.96
Accounts receivable	1	836,020,813.18	623,510,509.82
Prepayments		338,767,313.68	233,863,232.64
Interest receivable		19,134.15	293,588.08
Dividends receivable		1,086,686.23	3,519,926.87
Other receivables		372,809,989.22	377,144,929.57
Inventories		289,565,444.78	135,781,363.72
Non-current assets due within one year		5,015,703.43	6,873,783.84
Other current assets		13,682,668.63	38,589,634.34
Total current assets		3,194,484,821.92	3,029,596,899.28
Non-current assets			
Long-term receivables		36,693,018.11	37,198,798.73
Long-term equity investments		290,479,186.18	237,607,363.86
Available-for-sale financial assets	2	563,228.22	563,228.22
Investment properties		156,673,407.29	158,523,723.48
Fixed assets	3	2,248,831,410.01	2,297,194,626.59
Construction in progress		203,101,695.31	206,174,372.72
Intangible assets	4	1,047,062,933.47	969,462,406.61
Goodwill		96,608,224.33	96,608,224.33
Long-term deferred expenses		35,635,524.48	25,188,719.65
Deferred tax assets		191,910,525.32	194,373,308.26
Other non-current assets		421,183,308.01	410,400,535.92
Total non-current assets		4,728,742,460.73	4,633,295,308.37
Total assets		7,923,227,282.65	7,662,892,207.65

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated balance sheet (unaudited)

As at 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2017	As at 31 December 2016
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	5	135,671,296.18	45,000,000.00
Bills payable		434,280,704.38	462,401,913.99
Accounts payable	6	649,878,571.03	669,433,886.07
Advances from customers		197,911,103.16	234,093,563.11
Employee benefits payable		173,086,972.72	164,711,518.41
Taxes payable		105,162,402.05	133,486,660.35
Interest payable		20,248,522.20	5,095,378.31
Dividends payable		129,972,814.73	29,684,164.21
Other payables		562,757,666.56	579,127,704.52
Non-current liabilities due within one year	7	126,910,908.23	124,352,447.02
Total current liabilities		2,535,880,961.24	2,447,387,235.99
Non-current liabilities			
Long-term loans	8	346,462,111.58	232,425,730.93
Bonds payable	9	774,733,173.45	774,170,794.08
Long-term payables		110,921,140.23	127,549,528.79
Long-term employee benefits payable		155,790,163.14	162,139,949.06
Provisions		—	1,100,000.00
Deferred tax liabilities		32,608,176.96	32,736,936.59
Deferred income		498,822,957.63	530,817,920.44
Total non-current liabilities		1,919,337,722.99	1,860,940,859.89
Total liabilities		4,455,218,684.23	4,308,328,095.88

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated balance sheet (unaudited)

As at 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2017	As at 31 December 2016
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		799,847,800.00	799,847,800.00
Other equity instruments	10	—	—
Capital reserve		149,982,831.60	151,749,647.58
Other comprehensive income		(25,013,455.87)	(21,923,638.32)
Special reserve		30,910,808.23	31,476,221.97
Surplus reserve		152,853,595.03	152,853,595.03
Retained earnings	11	1,122,344,760.58	1,003,132,848.80
Equity attributable to shareholders of the Company	12	2,230,926,339.57	2,117,136,475.06
Non-controlling interests		1,237,082,258.85	1,237,427,636.71
Total shareholders' equity		3,468,008,598.42	3,354,564,111.77
Total liabilities and shareholders' equity		7,923,227,282.65	7,662,892,207.65

This interim financial report was approved by the Board of Directors of the Company on 17 August 2017.

Xuan Zongmin	Wen Wu	Leng Xuelin	
Legal Representative	The person in charge of accounting affairs	The head of the accounting department	
<i>(Signature and stamp)</i>	<i>(Signature and stamp)</i>	<i>(Signature and stamp)</i>	<i>(Company Stamp)</i>

The notes on pages 57 to 158 form part of this interim financial report.

Balance sheet (unaudited)

As at 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2017	As at 31 December 2016
Assets			
Current assets			
Cash at bank and on hand		738,522,960.46	1,109,152,535.46
Bills receivable		4,248,499.44	5,448,453.96
Accounts receivable	1	414,739,414.81	245,609,118.97
Prepayments		69,163,601.83	12,759,797.38
Interests receivable		8,849.98	275,017.29
Dividends receivable		1,023,000.00	1,023,000.00
Other receivables		627,798,112.00	671,436,058.81
Inventories		37,256,833.18	2,479,099.78
Total current assets		1,892,761,271.70	2,048,183,081.65
Non-current assets			
Long-term equity investments		1,227,972,725.19	1,208,707,080.27
Available-for-sale financial assets	2	777,412.45	777,412.45
Fixed assets	3	5,846,145.65	6,227,757.60
Intangible assets	4	118,036,628.01	125,660,101.38
Long-term deferred expenses		6,939,634.73	4,755,547.36
Deferred tax assets		147,095,053.89	149,399,161.35
Total non-current assets		1,506,667,599.92	1,495,527,060.41
Total assets		3,399,428,871.62	3,543,710,142.06

The notes on pages 57 to 158 form part of this interim financial report.

Balance sheet (unaudited)

As at 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2017	As at 31 December 2016
Liabilities and shareholders' equity			
Current liabilities			
Bills payable		230,162,667.54	92,189,797.25
Accounts payable	6	149,967,965.70	227,073,144.82
Advances from customers		17,831,577.18	38,819,006.55
Employee benefits payable		18,510,483.80	18,170,696.86
Taxes payable		12,194,613.21	13,268,044.80
Interest payable		19,893,255.62	4,729,044.48
Dividends payable		103,980,214.00	—
Other payables		775,519,009.96	1,056,903,259.83
Total current liabilities		1,328,059,787.01	1,451,152,994.59
Non-current liabilities			
Bonds payable	9	774,733,173.45	774,170,794.08
Total non-current liabilities		774,733,173.45	774,170,794.08
Total liabilities		2,102,792,960.46	2,225,323,788.67

The notes on pages 57 to 158 form part of this interim financial report.

Balance sheet (unaudited)

As at 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2017	As at 31 December 2016
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		799,847,800.00	799,847,800.00
Other equity instruments	10	—	—
Capital reserve		246,020,107.11	246,020,107.11
Special reserve		56,154.33	—
Surplus reserve		150,375,506.17	150,375,506.17
Retained earnings	11	100,336,343.55	122,142,940.11
Total shareholders' equity		<u>1,296,635,911.16</u>	<u>1,318,386,353.39</u>
Total liabilities and shareholders' equity		<u>3,399,428,871.62</u>	<u>3,543,710,142.06</u>

This interim financial report was approved by the Board of Directors of the Company on 17 August 2017.

Xuan Zongmin

Legal Representative

(Signature and stamp)

Wen Wu

The person in charge
of accounting affairs

(Signature and stamp)

Leng Xuelin

The head of the
accounting department

(Signature and stamp)

(Company Stamp)

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2017	2016
I. Operating income		3,232,036,937.10	3,131,631,631.16
II. Less: Operating costs		2,551,886,749.30	2,485,705,255.77
Taxes and surcharges		20,541,881.55	28,674,906.89
Selling and distribution expenses		38,940,794.60	36,203,286.76
General and administrative expenses		307,265,604.16	315,378,928.40
Financial expenses	13	22,396,261.63	22,486,283.85
Reversal of impairment provision		(2,033,724.50)	(2,933,911.00)
Add: Investment income (Including: Income from investments in associates and joint ventures)	14	25,100,231.97	15,200,874.81
Other income	15	39,074,699.65	—
III. Operating profit		357,214,301.98	261,317,755.30
Add: Non-operating income (Including: Gains from disposal of non-current assets)	16	8,309,055.59	50,275,352.64
Less: Non-operating expenses (Including: Losses from disposal of non-current assets)		3,080,489.75	4,874,614.83
		1,520,959.55	740,442.65
IV. Profit before income tax	18	362,442,867.82	306,718,493.11
Less: Income tax expenses	17	97,118,822.76	88,479,295.61
V. Net profit for the period		265,324,045.06	218,239,197.50
Attributable to:			
Shareholders of the Company		223,192,125.78	175,369,682.50
Non-controlling interests		42,131,919.28	42,869,515.00

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2017	2016
VI. Other comprehensive income for the period, net of tax			
(I) Items that will not be reclassified to profit or loss		(73,780.69)	—
(II) Items that may be reclassified to profit or loss:			
Translation differences arising from translation of foreign currency financial statements		(4,798,223.85)	5,215,772.38
VII. Total comprehensive income for the period		260,452,040.52	223,454,969.88
Attributable to:			
Shareholders of the Company		220,102,308.23	178,660,264.92
Non-controlling interests		40,349,732.29	44,794,704.96
VIII. Earnings per share			
(I) Basic earnings per share	19(1)	0.28	0.24
(II) Diluted earnings per share	19(2)	0.28	0.22

The notes on pages 57 to 158 form part of this interim financial report.

Income statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2017	2016
I. Operation income		512,567,158.00	275,492,046.90
II. Less: Operating costs		392,549,466.10	188,295,035.83
Taxes and surcharges		1,159,917.44	2,626,573.08
Selling and distribution expenses		2,910,870.96	2,945,504.46
General and administrative expenses		31,093,709.09	29,668,577.17
Financial expenses	13	1,890,570.07	11,036,752.65
Reversal of impairment provision		(1,574,857.14)	(2,913,911.00)
Add: Investment income (Including: Income from investments in associates and joint ventures)	14	19,265,644.92	13,986,196.38
		19,265,644.92	10,462,996.59
III. Operating profit		103,803,126.40	57,819,711.09
Add: Non-operating income	16	470.09	49,400.00
IV. Profit before income tax		103,803,596.49	57,869,111.09
Less: Income tax expenses	17	21,629,979.05	11,041,637.68
V. Net profit for the period		82,173,617.44	46,827,473.41
VI. Other comprehensive income for the period, net of tax		—	—
VII. Total comprehensive income for the period		82,173,617.44	46,827,473.41

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

	Note V	For the six months ended 30 June	
		2017	2016
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		3,298,501,885.23	3,340,135,248.96
Proceeds from tax return		56,640.19	11,000.00
Cash received from other operating activities		84,059,226.40	44,784,259.02
Sub-total of cash inflows		3,382,617,751.82	3,384,930,507.98
Payment for goods and services		2,367,399,192.39	2,200,470,829.46
Payment to and for employees		813,411,524.32	768,077,692.62
Payment of various taxes		202,214,927.32	218,298,361.19
Payment relating to other operating activities		128,907,147.63	92,221,401.21
Sub-total of cash outflows		3,511,932,791.66	3,279,068,284.48
Net cash (outflow)/inflow from operating activities	20(1)	(129,315,039.84)	105,862,223.50

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2017	2016
II. Cash flows from investing activities:			
Investment returns received		4,891,341.02	1,873,921.19
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		8,591,770.57	8,544,424.86
Sub-total of cash inflows		13,483,111.59	10,418,346.05
Payment for acquisition of fixed assets, intangible assets and other long-term assets		248,206,274.27	259,398,793.74
Payment for acquisition of investments		52,426,500.00	7,600,000.00
Net payment for acquisition of subsidiaries	20(4)	5,784,120.42	1,726,730.71
Payment for acquisition of non-controlling interests		1,532,319.96	—
Sub-total of cash outflows		307,949,214.65	268,725,524.45
Net cash outflow from investing activities		(294,466,103.06)	(258,307,178.40)

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2017	2016
III. Cash flows from financing activities:			
Proceeds from investors		—	1,036,000.00
Proceeds from borrowings		246,959,915.03	142,684,568.94
Proceeds relating to other financing activities	20(5)	—	2,247,965.71
Sub-total of cash inflows		246,959,915.03	145,968,534.65
Repayments of borrowings		35,812,322.33	362,408,768.61
Payment for profit distributions or interest		50,866,834.80	32,392,881.49
Payment relating to reduction of capital by non-controlling interests		2,894,405.29	1,472,000.00
Payment for fractional shares relating to the conversion of convertible securities	10, note 2	—	1,580.00
Payment relating to other financing activities	20(5)	3,247,958.02	—
Sub-total of cash outflows		92,821,520.44	396,275,230.10
Net cash inflow/(outflow) from financing activities		154,138,394.59	(250,306,695.45)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(2,107,753.90)	2,003,205.57
V. Net decrease in cash and cash equivalents	20(2)	(271,750,502.21)	(400,748,444.78)
Add: cash and cash equivalents at the beginning of the period		1,594,659,167.72	1,923,407,216.22
VI. Cash and cash equivalents at the end of the period	20(3)	1,322,908,665.51	1,522,658,771.44

The notes on pages 57 to 158 form part of this interim financial report.

Cash flow statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
Note V	2017	2016
I. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	398,540,972.79	129,923,798.46
Proceeds from other operating activities	6,563,320.91	6,428,186.39
Sub-total of cash inflows	405,104,293.70	136,351,984.85
Payment for goods and services	482,672,671.82	251,016,320.66
Payment to and for employees	18,965,095.43	19,222,587.19
Payment of various taxes	25,134,189.79	11,163,597.27
Payment relating to other operating activities	39,856,753.10	4,535,391.26
Sub-total of cash outflows	566,628,710.14	285,937,896.38
Net cash outflow from operating activities	(161,524,416.44)	(149,585,911.53)

The notes on pages 57 to 158 form part of this interim financial report.

Cash flow statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
Note V	2017	2016
II. Cash flows from investing activities:		
Proceeds from disposal of investment	263,000,000.00	—
Investment returns received	3,237,345.06	3,403,584.58
Sub-total of cash inflows	266,237,345.06	3,403,584.58
Payment for acquisition of fixed assets, intangible assets and other long-term assets	1,167,639.20	580,475.37
Payment for acquisition of investments	195,000,000.00	262,638,779.93
Net payment for acquisition of subsidiaries	—	2,600,000.00
Sub-total of cash outflows	196,167,639.20	265,819,255.30
Net cash inflow/(outflow) from investing activities	70,069,705.86	(262,415,670.72)

The notes on pages 57 to 158 form part of this interim financial report.

Cash flow statement (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2017	2016
III. Cash flows from financing activities:			
Proceeds from other financing activities	20(5)	—	52,719,173.44
Sub-total of cash inflows		—	52,719,173.44
Payment for interest		2,055,264.16	3,085,118.83
Payment for fractional shares relating to the conversion of convertible securities	10, note 2	—	1,580.00
Payment for other financing activities	20(5)	277,119,600.26	—
Sub-total of cash outflows		279,174,864.42	3,086,698.83
Net cash (outflow)/inflow from financing activities		(279,174,864.42)	49,632,474.61
IV. Net decrease in cash and cash equivalents	20(2)	(370,629,575.00)	(362,369,107.64)
Add: cash and cash equivalents at the beginning of the period		1,109,152,535.46	1,381,281,009.40
V. Cash and cash equivalents at the end of the period	20(3)	738,522,960.46	1,018,911,901.76

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

	Attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total			
Note V	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
I. Balance as at 1 January 2017	799,847,800.00	151,749,647.58	31,476,221.97	(21,923,638.32)	152,853,595.03	1,003,132,848.80	2,117,136,475.06	1,237,427,636.71	3,354,564,111.77	
II. Changes in equity for the period										
1. Total comprehensive income	-	-	-	(3,089,817.55)	-	223,192,125.78	220,102,308.23	40,349,732.29	260,452,040.52	
2. Shareholders' contributions and reduction										
- Acquisition of non-controlling interests	-	(1,766,815.98)	-	-	-	-	(1,766,815.98)	234,496.02	(1,532,319.96)	
- Reduction by owners	-	-	-	-	-	-	-	(2,894,405.29)	(2,894,405.29)	
3. Appropriation of profits										
- Distributions to shareholders	11	-	-	-	-	(103,980,214.00)	(103,980,214.00)	(37,362,431.14)	(141,342,645.14)	
4. Special reserve										
- Accrued	-	-	10,937,650.94	-	-	-	10,937,650.94	8,141,147.14	19,078,798.08	
- Utilised	-	-	(11,503,064.68)	-	-	-	(11,503,064.68)	(8,813,916.88)	(20,316,981.56)	
Sub-total	-	(1,766,815.98)	(565,413.74)	(3,089,817.55)	-	119,211,911.78	113,789,864.51	(345,377.86)	113,444,486.65	
III. Balance as at 30 June 2017	799,847,800.00	149,982,831.60	30,910,808.23	(25,013,455.87)	152,853,595.03	1,122,344,760.58	2,230,926,339.57	1,237,082,258.85	3,468,008,598.42	

The notes on pages 57 to 158 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2016

(Expressed in Renminbi Yuan)

	Note V	Attributable to shareholders of the Company							Non-controlling interests	Total shareholders' equity	
		Share capital	Other equity instruments	Capital reserve	Special reserve	Other comprehensive income	Surplus reserve	Retained earnings			
		RMB	RMB	RMB	RMB	RMB	RMB	RMB			RMB
I. Balance as at 1 January 2016		626,462,800.00	281,810,000.00	45,158,516.51	30,225,215.67	(32,798,149.44)	142,234,113.99	781,113,221.65	1,874,205,718.38	1,172,383,607.67	3,046,589,326.05
II. Changes in equity for the period											
1. Total comprehensive income		-	-	-	-	3,290,582.42	-	175,369,682.50	178,660,264.92	44,794,704.96	223,454,969.88
2. Shareholders' contributions and reduction											
- Contribution by owners		-	-	-	-	-	-	-	-	1,036,000.00	1,036,000.00
- Increase from a business combination involving enterprises not under common control		-	-	-	-	-	-	-	-	754,209.34	754,209.34
- Reduction by owners		-	-	-	-	-	-	-	-	(1,472,000.00)	(1,472,000.00)
3. Appropriation of profits											
- Distributions to shareholders	11	-	-	-	-	-	-	(103,980,214.00)	(103,980,214.00)	(52,501,062.84)	(156,481,276.84)
4. Transfers within equity											
- Conversion of Perpetual Subordinated Convertible Securities	10	173,385,000.00	(281,810,000.00)	108,423,420.00	-	-	-	-	(1,580.00)	-	(1,580.00)
5. Special reserve											
- Accrued		-	-	-	11,693,761.68	-	-	-	11,693,761.68	9,563,882.28	21,257,643.96
- Utilised		-	-	-	(7,905,077.18)	-	-	-	(7,905,077.18)	(6,852,887.50)	(14,757,964.68)
Sub-total		173,385,000.00	(281,810,000.00)	108,423,420.00	3,788,684.50	3,290,582.42	-	71,389,468.50	78,467,155.42	(4,677,153.76)	73,790,001.66
III. Balance as at 30 June 2016		799,847,800.00	-	153,581,936.51	34,013,900.17	(29,507,567.02)	142,234,113.99	852,502,690.15	1,952,672,873.80	1,167,706,453.91	3,120,379,327.71

The notes on pages 57 to 158 form part of this interim financial report.

Statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

Note V	Share capital RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance as at 1 January 2017	799,847,800.00	246,020,107.11	—	150,375,506.17	122,142,940.11	1,318,386,353.39
II. Changes in equity for the period						
1. Total comprehensive income	—	—	—	—	82,173,617.44	82,173,617.44
2. Appropriation of profits						
- Distributions to shareholders	—	—	—	—	(103,980,214.00)	(103,980,214.00)
3. Special reserve						
- Accrued	—	—	157,496.33	—	—	157,496.33
- Utilised	—	—	(101,342.00)	—	—	(101,342.00)
Sub-total	—	—	56,154.33	—	(21,806,596.56)	(21,750,442.23)
III. Balance as at 30 June 2017	799,847,800.00	246,020,107.11	56,154.33	150,375,506.17	100,336,343.55	1,296,635,911.16

The notes on pages 57 to 158 form part of this interim financial report.

Statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2016

(Expressed in Renminbi Yuan)

	Note V	Share capital RMB	Other equity instruments RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance as at 1 January 2016		626,462,800.00	281,810,000.00	137,596,687.11	—	139,756,025.13	130,547,824.72	1,316,173,336.96
II. Changes in equity for the period								
1. Total comprehensive income		—	—	—	—	—	46,827,473.41	46,827,473.41
2. Appropriation of profits								
- Distributions to shareholders	11	—	—	—	—	—	(103,980,214.00)	(103,980,214.00)
3. Shareholders' contributions and reduction								
- Conversion of Perpetual Subordinated Convertible Securities	10	173,385,000.00	(281,810,000.00)	108,423,420.00	—	—	—	(1,580.00)
4. Special reserve								
- Accrued		—	—	—	73,454.67	—	—	73,454.67
- Utilised		—	—	—	(37,656.40)	—	—	(37,656.40)
Sub-total		173,385,000.00	(281,810,000.00)	108,423,420.00	35,798.27	—	(57,152,740.59)	(57,118,522.32)
III. Balance as at 30 June 2016		799,847,800.00	—	246,020,107.11	35,798.27	139,756,025.13	73,395,084.13	1,259,054,814.64

The notes on pages 57 to 158 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 2005, according to the shareholders' resolution and the revised Company's Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB 1 per H share on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), including 125,454,545 new H shares, and 12,545,455 H shares converted from domestic shares. The registered capital of the Company was changed to RMB 417,641,867.00 after the placing and public offer.

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

On 24 March 2016, Guangdong Provincial Communication Group Company Limited ("GCGC") executed the conversion of the Perpetual Subordinated Convertible Securities ("PSCS") held by it with a principal amount of RMB 281,810,000.00 into domestic ordinary shares of the Company, which resulted in an increase of the Company's ordinary shares of 173,385,000. The registered capital of the Company was changed to RMB 799,847,800.00 accordingly.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

I. COMPANY STATUS *(Continued)*

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation of interim financial report

The interim financial report has been prepared on the 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. The interim financial report also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. 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 presents truly and completely the consolidated financial position and financial position of the Company as at 30 June 2017, 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 2016 annual financial statements, except for the changes in accounting policies set out in Note II. (34).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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.

(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 they operate. The Company adopts RMB to present its financial statements, and the financial statements of foreign subsidiaries have been translated based on the accounting policy as set out in Note II. (10).

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

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

(a) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities 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 against share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted against retained earnings.

Any costs directly attributable to the combination are recognised in profit or loss when incurred.

The combination date is the date on which one combining entity effectively obtains control of other combining entities.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

A business combination involving entities not under common control is a business combination in which all of the combining entities 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), 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.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income for the current period. In addition, any amount recognised in other comprehensive income that may be reclassified to profit or loss, in prior reporting periods relating to the previously-held equity interest, and any other changes in the owners' equity under equity accounting, are transferred to investment income in the period in which the acquisition occurs (see Note II. 14 (2) (b)).

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 combinations involving entities under common control and not under common control *(Continued)*

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

Goodwill arising from a business combination involving entities not under common control is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. On disposal of an asset group or a set of asset groups, any attributable amount of the purchased goodwill is written off and included in the calculation of the profit or loss on disposal. Goodwill is tested for impairment at least at the end of each year.

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

(7) Preparation of consolidated financial statements

(a) General principles

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

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

The significant accounting policies and accounting periods adopted by the PRC subsidiaries are determined based on the uniform accounting policies and accounting periods adopted by the Company. When 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.

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)*

(b) Subsidiaries acquired through a business combination

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

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

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

(c) Disposal of subsidiaries

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

(d) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(8) Interests in a joint operation

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

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

(9) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

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

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.
- Receivables are measured at amortised cost using the effective interest method.
- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are generally recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in other compensative income 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).

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)*

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

(b) Presentation of financial assets and financial liabilities

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

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

(c) Derecognition of financial assets and financial liabilities

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

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

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

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

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

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

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

- Available-for-sale financial assets

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

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in an 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 instruments held by the Company as at the period end represented the PSCS issued by the Company. The PSCS is classified as equity instrument. The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Earnings distributed for the PSCS in issue are treated as appropriation of profits. Where the PSCS is redeemed according to relevant terms of agreement, the consideration and transaction costs paid by the Company for the redemption are deducted from shareholders' equity.

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 significant.
Method of provisioning for bad and doubtful debts for receivables that are individually significant and assessed individually	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 assess them and make bad debt provision based on the difference between the present value of estimated future cash flows and the carrying amount.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(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 and real estate development products.

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

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

Costs of real estate development products include land costs, construction costs and other costs. Borrowing costs for capitalization should also be recognised as the cost of real estate development products.

(b) Cost of inventories transferred out

Cost of inventories recognised 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 charged to profit or loss upon receipt.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(13) Inventories *(Continued)*

(d) Basis for determining the net realisable value and method for provision for obsolete 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 and the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet date events. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis. After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(e) Inventory count system

The Group maintains a perpetual inventory system.

(14) Long-term equity investments

(1) Investment cost of long-term equity investments

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

The initial investment cost of a long-term equity investment obtained through a business combination involving entities 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 entities 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(1) *Investment cost of long-term equity investments (Continued)*

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

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

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

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

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

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment meets the conditions of holding for the sale. 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 for the current period.

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).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

(b) Investment in joint ventures and associates

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

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

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

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

The accounting treatments under the equity method adopted by the Group are as follows:

- 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 recognised in profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income (referred to as "other changes in owners' equity"), and recognises the corresponding adjustment in shareholders' equity.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

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

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owner's equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint 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 joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(3) *Criteria 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, or for administrative purposes with useful lives of over one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

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

(b) *Depreciation of each category of fixed assets*

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

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

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

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.

(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)).

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(18) Borrowing costs *(Continued)*

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.

Estimated useful life of intangible assets are as follows:

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(19) Intangible assets *(Continued)*

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

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

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

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

(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
Long-term assets rental fee	2 - 50
Leasehold improvements	2 - 10

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

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

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 at each year end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

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

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

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(22) Fair value measurement

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

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

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

(23) Provisions

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(24) Revenue recognition

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

(a) Sale of goods

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

(b) Rendering of services

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(24) Revenue recognition *(Continued)*

(c) Revenue from construction contracts

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

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

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

(d) Interest income

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

(e) Royalties from intangible assets

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(25) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

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 transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income.

A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and offset against related expenses, or included in other income or non-operating income in the periods in which the expenses or losses are recognised. A grant that compensates the Group for expenses or losses incurred is offset against related expenses directly, or included in other income or non-operating income.

A government grant related to the daily operations of the Group shall be included in other income or offset against related expenses; a government grant unrelated to the daily operations of the Group shall be included in non-operating income.

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

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

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

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)*

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

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

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

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 when they are actually incurred.

(b) The Group as lessor under operating leases

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

(c) The Group as lessee under finance leases

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(29) Employee benefits

(a) *Short-term employee benefits*

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

(b) *Post-employment benefits - defined contribution plans*

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

Pursuant to the relevant laws and regulations of Hong Kong, subsidiaries of the Company in Hong Kong make contributions to the Mandatory Provident Fund Schemes for all Hong Kong employees at the lower of 5% of the monthly 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.

(c) *Post-employment benefits - defined benefit plans*

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(29) Employee benefits *(Continued)*

(d) Termination benefits

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

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

When the provision is 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.

(30) Profit distributions

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.

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 after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

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

(33) Significant accounting estimates and judgments

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

Note II. (15), (16), (19), (20) and (25) contain information about the accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, intangible assets, long-term deferred expenses and recognition of government subsidies. Notes V 1, 3, and 4 contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimate is as follows:

- (i) Note II. (29): Liabilities of retirement benefits.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

(34) Changes in significant accounting policies

(a) Description of and reasons for the changes

The MOF issued the revised Accounting Standards for Business Enterprises No.16 - Government grants (the "Standard No.16 (2017)") in May 2017. The effective date is 12 June 2017.

The significant accounting policies after adopting the Accounting Standards for Business Enterprises mentioned above are listed in Note II. (25).

In accordance with the requirements of the Standard No.16 (2017), the Group has reviewed the government grants existed on 1 January 2017 and applied the relevant requirements using the prospective application method.

Impact of the adoption of the revised accounting standard mentioned above on the Group is as follows:

- For the government grants related to daily operations of the Group, when recognised in income statement, it is changed from being included in non-operating income to being offset against related expenses, or included in other income.

(b) Effects of changes in accounting policies on interim financial report

- The effects on each of the line items in the consolidated income statement and the income statement for the six-month period ended 30 June 2017 are analysed as follows:

	Adoption of revised accounting policies increase/(decrease) the amount of the current financial statement items	
	The Group RMB	The Company RMB
Operating costs	(46,555,771.33)	—
Other Income	39,074,699.65	—
Non-operating income	(85,630,470.98)	—
Profit before income tax	—	—
Less: Income tax expenses	—	—
Net profit for the period	—	—

- Changes of the above accounting policies have no effect on the line items on the consolidated balance sheet and the balance sheet as at 30 June 2017.

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

III. TAXATION (Continued)

Note 2: According to Caishui [2016] No. 36, the pilot scheme on levying VAT in place of business tax has been implemented nationwide since 1 May 2016. Accordingly, VAT instead of business tax shall be levied on certain taxable services of the Group's subsidiaries that meet certain conditions. For income from rendering services in highway facilities and other auxiliary facilities, simple tax computation method with a levy rate of 5% applies if service contracts were signed before 1 May 2016, while general tax computation method with a tax rate of 11% or 6% applies if service contracts were signed after 1 May 2016. For income from construction contracts, general tax computation method with a tax rate of 11% generally applies, except that simple tax computation method with a tax rate of 3% could be applied to certain construction services if they meet certain particular conditions according to "The Guidance of Levying Value-added Tax in Place of Business Tax on Construction Service". As to toll income, simple tax computation method with levy rate of 3% applies.

Note 3: The Group's subsidiaries in Guangzhou are exempted from embankment protection fee since 1 January 2015. Pursuant to "The Announcement of Exemption of Business Administrative Charges issued by Guangzhou Financial Bureau and Price Bureau" (Suicaizong [2014] No. 195), the embankment protection fee in Guangzhou is exempted since 1 January 2015. Pursuant to "The Announcement of Exemption of Business Administrative Charges issued by Guangdong Development and Reform Commission (GDRC) and Finance Department" (GDRC Price [2016] No. 180), the embankment protection fee in Guangdong Province is exempted since 1 October 2016.

Note 4: The Group's subsidiaries Guangdong Yunxing Property Management Company Limited, Yangjiang Yangdong Yueyun Langri Passenger Transportation Company Limited, Yangjiang Yueyun Langri Vehicle Driving Training Company Limited, Lianping Yueyun Passenger Transportation Company Limited, Dongyuan County Dengta Town Yueyun Property Lease Company Limited, Shaoguan City Xi'an Traffic Travel Agency Company Limited, Shaoguan City Xi'an Tourist Transportation Company Limited, Huaiji County Yueyun City-Village Public Transportation Company Limited, Qingyuan City Yueyun Public Transportation Company Limited Guangzhou Branch, Lechang City Pingshi Yongtong Vehicles Transportation Company Limited, Shaoguan City Zhixin Trade Company Limited, Heyuan Yue Payment Technology Company Limited and Guangdong Gangtong Vehicles Transportation Company Limited meet the conditions of Small-scaled minimal profit enterprise. Pursuant to Caishui [2017] No. 43, "The Announcement of Preferential tax treatment of Small-scaled minimal profit enterprise issued by Ministry of Finance and National Tax Bureau", the Small-scaled minimal profit enterprise with an annual taxable income below RMB 500,000 (RMB 500,000 included) (2016: RMB 300,000) is entitled to a preferential tax treatment of 50% exemption of taxable income and application of income tax rates as 20% from 1 January 2017 to 31 December 2019.

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

Except for the above fourteen companies, the income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2016: 25%).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

1 Subsidiaries acquired through establishment or investment during the period

No.	Full name of the subsidiary	Type	Incorporation place	Registration place	Business nature	Registration capital RMB	Period end actual investment RMB	Share holding percentage %	Voting rights percentage %
1	Yangjiang High-tech Zone Yueyun Langri Enterprise Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Sales of auto spare parts, station service and investment	20,000,000.00	—	65	65
2	Guangzhou City Yueyun Langri transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	10,000,000.00	2,550,000.00	100	100

2 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 RMB	Period end actual investment RMB	Share holding percentage %	Voting rights percentage %
1	Huaji County Yueyun City-Village Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Inter-cities passenger transportation and public bus transportation	2,930,700.00	10,000,000.00	100	100

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(Continued)

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

On 12 January 2017, the acquisition date, the Group's subsidiary, Zhaoqing Yueyun Motor Transportation Co., Ltd., acquired 100% equity interests of Huaiji County Yueyun City-Village Public Transportation Co., Ltd. with acquisition costs of RMB 9,300,000.00.

The fair value of the 100% equity interests as at the acquisition date was RMB 9,300,000.00.

Huaiji County Yueyun City-Village Public Transportation Co., Ltd. was established on 29 July 2016 in Zhaoqing, Guangdong. It is mainly engaged in inter-cities passenger transportation and public bus transportation. Before the acquisition, its ultimate holding company was Huaiji County Ningtong Public Transportation Co., Ltd..

Key financial information of Huaiji County Yueyun City-Village Public Transportation Co., Ltd. is as follows:

	From 12 January 2017 (acquisition date) to 30 June 2017 RMB
Revenue	2,044,310.93
Net loss	(112,424.72)
Net cash inflow	985,271.77

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(Continued)

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

(Continued)

The identifiable assets and liabilities:

	12 January 2017		31 December
	Carrying Amount RMB	Fair value RMB	2016 Carrying Amount RMB
Current assets	85,025.71	85,879.58	1,511.27
Non-current assets	2,060,811.09	9,214,120.42	2,075,801.29
Current liabilities	—	—	(1,511.27)
Identifiable net assets	<u>2,145,836.80</u>	<u>9,300,000.00</u>	<u>2,075,801.29</u>

4 Former subsidiaries that ceased to be consolidated during the period

Business registration of a subsidiary of the Group, Yue Kong Shipping Company Limited, was deregistered on 17 March 2017. The financial results and cash flow of the subsidiary as of deregistration day were included in the consolidated income statement and consolidated cash flow statement for the current period.

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

As at 30 June 2017, overseas subsidiaries translate all assets and liability items in their balance sheet by applying the spot exchange rate at the period end as HKD 1 against RMB 0.8800; 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 0.8873.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT

1 Accounts receivable

Before accepting new customers, the Group and the Company assessed the credit worthiness of potential clients and set corresponding credit limits according to the internal credit assessment policies. Except for the general requirement that new customers usually need to make payments in advance, the Group sets respective credit policies according to their respective market and business needs. Credit period is generally 3 months, while the credit period of major customers can be extended to 6 months. According to the past collection experiences and the debtors' credit capability, the Group and Company consider no provision for impairment of receivables is required for overdue receivables, except for those with provision already made.

The ageing analysis of accounts receivable is as follows:

The Group

As at 30 June 2017

Ageing	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 3 months (inclusive)	634,538,376.17	—	634,538,376.17
Over 3 months and within 6 months (inclusive)	58,446,999.54	—	58,446,999.54
Over 6 months and within 1 year (inclusive)	39,880,337.16	—	39,880,337.16
Over 1 year and within 2 years (inclusive)	36,064,500.78	4,069,623.44	31,994,877.34
Over 2 years and within 3 years (inclusive)	9,228,422.22	1,785,893.50	7,442,528.72
Over 3 years	124,567,993.92	60,850,299.67	63,717,694.25
Total	902,726,629.79	66,705,816.61	836,020,813.18

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

1 Accounts receivable *(Continued)*

The Group *(Continued)*

As at 31 December 2016

Ageing	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	469,188,273.08	—	469,188,273.08
Over 3 months and within 6 months (inclusive)	17,780,024.90	—	17,780,024.90
Over 6 months and within 1 year (inclusive)	38,515,148.08	—	38,515,148.08
Over 1 year and within 2 years (inclusive)	34,130,255.46	5,555,140.27	28,575,115.19
Over 2 years and within 3 years (inclusive)	6,549,912.90	634,554.48	5,915,358.42
Over 3 years	126,087,552.27	62,550,962.12	63,536,590.15
Total	692,251,166.69	68,740,656.87	623,510,509.82

The ageing is counted starting from the date when accounts receivable are recognised.

The Company

As at 30 June 2017

Ageing	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	224,643,563.96	—	224,643,563.96
Over 3 months and within 6 months (inclusive)	30,118,045.39	—	30,118,045.39
Over 6 months and within 1 year (inclusive)	25,753,257.39	—	25,753,257.39
Over 1 year and within 2 years (inclusive)	67,533,372.18	—	67,533,372.18
Over 2 years and within 3 years (inclusive)	12,303,665.68	481,359.21	11,822,306.47
Over 3 years	103,549,515.54	48,680,646.12	54,868,869.42
Total	463,901,420.14	49,162,005.33	414,739,414.81

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

1 Accounts receivable *(Continued)*

The Company *(Continued)*

As at 31 December 2016

Ageing	Amount RMB	Provision for bad and doubtful debts RMB	Carrying amount RMB
Within 3 months (inclusive)	82,580,774.75	—	82,580,774.75
Over 3 months and within 6 months (inclusive)	22,500,748.00	—	22,500,748.00
Over 6 months and within 1 year (inclusive)	30,878,357.59	—	30,878,357.59
Over 1 year and within 2 years (inclusive)	54,584,608.78	—	54,584,608.78
Over 2 years and within 3 years (inclusive)	960,000.00	581,359.21	378,640.79
Over 3 years	104,841,492.28	50,155,503.22	54,685,989.06
Total	<u>296,345,981.40</u>	<u>50,736,862.43</u>	<u>245,609,118.97</u>

The ageing is counted starting from the date when accounts receivable are recognised.

2 Available-for-sale financial assets

As at 30 June 2017 and 31 December 2016, 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 2016	905,054,612.24	119,819,964.54	124,463,213.67	245,370,616.42	2,645,260,076.96	90,628,461.88	4,130,596,945.71
Additions during the period	2,227,158.68	—	3,491,529.12	7,417,128.30	50,742,342.92	—	63,878,159.02
Transferred from construction in progress	68,941,623.14	9,398,853.62	1,613,589.92	4,518,298.22	34,311,912.18	—	118,784,277.08
Transferred from investment properties	4,132,774.41	—	—	—	—	—	4,132,774.41
Additions arising from business combinations							
not under common control	—	—	—	—	2,006,972.14	—	2,006,972.14
Foreign currency financial statement							
translation differences	(3,130,431.72)	—	(17,712.94)	(139,466.64)	(1,141,082.98)	—	(4,428,694.28)
Transferred to investment properties	(4,162,316.42)	—	—	—	—	—	(4,162,316.42)
Disposals during the period	(1,861,949.08)	—	(3,259,888.98)	(2,671,481.36)	(46,801,178.45)	—	(54,594,497.87)
Balance as at 30 June 2017	971,201,471.25	129,218,818.16	126,290,730.79	254,495,094.94	2,684,379,042.77	90,628,461.88	4,256,213,619.79
Accumulated depreciation							
Balance as at 31 December 2016	(215,321,679.12)	(99,505,267.23)	(60,356,060.95)	(163,730,603.81)	(1,283,276,021.05)	(10,336,834.96)	(1,832,526,467.12)
Charges during the period	(23,028,815.22)	(3,309,924.65)	(4,261,835.73)	(14,045,984.03)	(175,740,570.07)	(1,264,021.72)	(221,651,151.42)
Transferred from investment properties	(1,531,527.33)	—	—	—	—	—	(1,531,527.33)
Foreign currency financial statement							
translation differences	2,875,634.10	—	17,712.94	93,708.45	193,776.39	—	3,180,831.88
Transferred to investment properties	988,980.97	—	—	—	—	—	988,980.97
Written off on disposal	64,899.94	—	2,346,685.21	2,444,461.43	39,301,076.66	—	44,157,123.24
Balance as at 30 June 2017	(235,952,506.66)	(102,815,191.88)	(62,253,498.53)	(175,238,417.96)	(1,419,521,738.07)	(11,600,856.68)	(2,007,382,209.78)

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3 Fixed assets (Continued)

The Group (Continued)

	Buildings	Building improvements	Machinery and equipment	Electronic office equipment, and others	Transportation vehicles	Pier	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Provision for impairment							
Balance as at 31 December 2016	—	—	(875,852.00)	—	—	—	(875,852.00)
Written off on disposal	—	—	875,852.00	—	—	—	875,852.00
Balance as at 30 June 2017	—	—	—	—	—	—	—
Carrying amount							
As at 30 June 2017	<u>735,248,964.59</u>	<u>26,403,626.28</u>	<u>64,037,232.26</u>	<u>79,256,676.98</u>	<u>1,264,857,304.70</u>	<u>79,027,605.20</u>	<u>2,248,831,410.01</u>
As at 31 December 2016	<u>689,732,933.12</u>	<u>20,314,697.31</u>	<u>63,231,300.72</u>	<u>81,640,012.61</u>	<u>1,361,984,055.91</u>	<u>80,291,626.92</u>	<u>2,297,194,626.59</u>

As at 30 June 2017, the original cost of fixed assets that were fully depreciated but were still in use was RMB 1,005,243,104.02 (31 December 2016: RMB 948,905,678.04).

As at 30 June 2017, fixed assets with carrying amount of RMB 213,688,198.91 (31 December 2016: RMB 239,508,460.95) were pledged for bank borrowings. As at 30 June 2017, there were no other restricted fixed assets of the Group.

As at 30 June 2017, the carrying amount of buildings without certificate or title of which had not been officially transferred to the Group was RMB 265,666,443.29 (31 December 2016: RMB 207,143,285.52).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

3 Fixed assets *(Continued)*

The Company

	Transportation vehicles RMB	Electronic equipment, office equipment and others RMB	Buildings RMB	Total RMB
Cost				
Balance as at 31 December 2016	10,572,013.42	9,863,716.11	3,424,779.00	23,860,508.53
Additions during the period	—	48,903.00	—	48,903.00
Balance as at 30 June 2017	10,572,013.42	9,912,619.11	3,424,779.00	23,909,411.53
Accumulated depreciation				
Balance as at 31 December 2016	(9,796,032.88)	(7,674,041.01)	(162,677.04)	(17,632,750.93)
Charges during the period	(41,362.08)	(307,814.35)	(81,338.52)	(430,514.95)
Balance as at 30 June 2017	(9,837,394.96)	(7,981,855.36)	(244,015.56)	(18,063,265.88)
Carrying amount				
As at 30 June 2017	734,618.46	1,930,763.75	3,180,763.44	5,846,145.65
As at 31 December 2016	775,980.54	2,189,675.10	3,262,101.96	6,227,757.60

As at 30 June 2017, the original cost of fixed assets that are fully depreciated but are still in use is RMB 16,020,423.93 (31 December 2016: RMB 16,020,423.93).

As at 30 June 2017, the Company had no restricted fixed assets (31 December 2016: Nil) and had no buildings without certificate or title of which had not been officially transferred in the Company (31 December 2016: Nil).

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

4 Intangible assets

The Group

	Land use rights	Joint operation	Computer software	Coastline use right	Passenger service licenses	Station and toll bridge franchise operating rights	Line license use rights and route operation rights	Trademark rights and others	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Cost									
Balance as at 31 December 2016	722,491,779.13	42,747,190.60	30,810,937.64	7,110,000.00	18,751,040.64	387,478,456.26	174,963,343.15	4,316,379.48	1,388,669,126.90
Additions during the period	72,226,691.79	—	3,806,336.07	—	18,330,400.00	—	5,699,036.69	—	100,062,364.55
Transferred from investment properties	611,124.39	—	—	—	—	—	—	—	611,124.39
Transferred from construction in progress	641,373.45	—	596,356.14	—	—	—	—	—	1,237,729.59
Additions arising from business combinations not under common control	—	—	—	—	—	—	7,207,148.28	—	7,207,148.28
Foreign currency financial statement translation differences	(626,984.03)	—	—	—	(304,163.84)	—	—	—	(931,147.87)
Disposals during the period	—	—	(14,000.00)	—	—	—	—	—	(14,000.00)
Balance as at 30 June 2017	796,343,884.73	42,747,190.60	35,199,629.85	7,110,000.00	36,777,276.80	387,478,456.26	187,869,528.12	4,316,379.48	1,496,842,345.84
Accumulated amortisation									
Balance as at 31 December 2016	(98,506,440.91)	(7,803,560.34)	(21,393,412.66)	(1,976,137.40)	—	(212,547,269.32)	(76,102,744.65)	(877,155.01)	(419,206,720.29)
Charges during the period	(8,570,149.50)	(2,068,224.13)	(1,352,563.14)	(77,633.10)	—	(8,932,737.42)	(8,957,144.53)	(114,888.30)	(30,073,310.12)
Transferred from investment properties	(709,150.75)	—	—	—	—	—	—	—	(709,150.75)
Foreign currency financial statement translation differences	203,487.22	—	—	—	—	—	—	—	203,487.22
Disposals during the period	—	—	6,281.57	—	—	—	—	—	6,281.57
Balance as at 30 June 2017	(107,582,253.94)	(9,871,784.47)	(22,739,694.23)	(2,053,770.50)	—	(221,480,006.74)	(85,059,889.18)	(992,013.31)	(449,779,412.37)
Carrying amount									
As at 30 June 2017	687,761,630.79	32,875,406.13	12,459,935.62	5,056,229.50	36,777,276.80	165,998,449.52	102,809,638.94	3,324,366.17	1,047,062,933.47
As at 31 December 2016	623,985,338.22	34,943,630.26	9,417,524.98	5,133,862.60	18,751,040.64	174,931,186.94	98,860,595.50	3,439,224.47	989,462,406.61

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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 2017, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB 116,807,644.90 (31 December 2016: RMB 125,263,221.82) was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Group as mentioned in Note V. 9. In addition, intangible assets with carrying amount of RMB 127,001,805.57 (31 December 2016: RMB 126,497,026.67) were pledged for bank loans. As at 30 June 2017, there was no other restricted intangible assets of the Group.

As at 30 June 2017, the carrying amount of the land use rights without certificate or title of which had not been officially transferred to the Group was RMB 11,848,830.26 (31 December 2016: RMB 43,704,142.84).

As at 30 June 2017, land use rights with carrying amount of RMB 52,032,314.97 (31 December 2016: RMB 52,599,878.18) were obtained through allocation. As the certificates of title did not stipulate useful life, 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 2016	23,678,820.83	334,103,442.14	357,782,262.97
Additions during the period	1,001,800.00	—	1,001,800.00
Balance as at 30 June 2017	24,680,620.83	334,103,442.14	358,784,062.97
Accumulated amortisation			
Balance as at 31 December 2016	(23,281,941.27)	(208,840,220.32)	(232,122,161.59)
Charges during the period	(169,696.45)	(8,455,576.92)	(8,625,273.37)
Balance as at 30 June 2017	(23,451,637.72)	(217,295,797.24)	(240,747,434.96)
Carrying amount			
As at 30 June 2017	1,228,983.11	116,807,644.90	118,036,628.01
As at 31 December 2016	396,879.56	125,263,221.82	125,660,101.38

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 2017 RMB	As at 31 December 2016 RMB
	Note		
Unsecured loans		65,000,000.00	25,000,000.00
Loans secured by mortgages	(1)	20,000,000.00	20,000,000.00
Loans secured by letter of credit	(2)	50,671,296.18	—
Total	(3)	135,671,296.18	45,000,000.00

Note 1: As at 30 June 2017, the properties with carrying amount of RMB 1,329,519.03 and intangible assets with carrying amount of RMB 5,341,857.66 were pledged for loans secured by mortgages. As at 31 December 2016, the properties with carrying amount of RMB 1,380,967.89 and intangible assets with carrying amount of RMB 5,418,169.92 were pledged for loans secured by mortgages.

Note 2: As at 30 June 2017, the loans from Hong Kong Branch of Agricultural Bank of China were secured by the letter of credit issued by the Company to its subsidiary, Yueyun Transportation (HK) Company Limited.

Note 3: As at 30 June 2017, the Group's short-term loans were bank borrowings within 1 year, which bear interest rates ranging from 1.94% to 4.35% per annum (31 December 2016: 4.13% to 4.35% per annum). The Group had no overdue short-term loans as at 30 June 2017 (31 December 2016: Nil).

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 accounts payable based on the transaction date is as follows:

	The Group		The Company	
	As at 30 June 2017 RMB	As at 31 December 2016 RMB	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Ageing				
Within 3 months (inclusive)	472,987,059.21	483,334,584.17	125,191,772.60	185,046,726.62
Over 3 months and within 6 months (inclusive)	52,114,589.29	27,288,475.41	4,185,652.70	28,772,933.83
Over 6 months and within 1 year (inclusive)	43,809,997.07	57,812,145.47	7,341,146.83	155,000.00
Over 1 year and within 2 years (inclusive)	29,104,450.93	44,778,732.10	496,004.26	352,824.64
Over 2 years and within 3 years (inclusive)	17,463,026.06	35,823,376.21	24,301.19	343,111.21
Over 3 years	34,399,448.47	20,396,572.71	12,729,088.12	12,402,548.52
Total	649,878,571.03	669,433,886.07	149,967,965.70	227,073,144.82

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

	Note V	The Group	
		As at 30 June 2017 RMB	As at 31 December 2016 RMB
Long-term loans due within one year	8	51,786,916.50	45,347,000.63
Long-term payables due within one year		32,446,673.45	34,872,176.24
Deferred income due within one year		42,677,318.28	44,133,270.15
Total		126,910,908.23	124,352,447.02

8 Long-term loans

	Note	The Group	
		As at 30 June 2017 RMB	As at 31 December 2016 RMB
Unsecured loans		212,386,446.58	93,806,859.58
Loans secured by mortgages	(1)	185,862,581.50	183,965,871.98
Total	(2)	398,249,028.08	277,772,731.56
Less: Long-term loans due within one year			
Including: Unsecured loans		14,169,458.72	9,883,432.75
Loans secured by mortgages		37,617,457.78	35,463,567.88
Sub-total (Note V.7)		51,786,916.50	45,347,000.63
Long-term loans due after 1 year		346,462,111.58	232,425,730.93
Including: Due after 1 year but within 2 years		76,358,775.88	37,353,465.64
Due after 2 years but within 5 years		270,103,335.70	195,072,265.29

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 2017, the Group's long-term loans were bank borrowings with interest rates ranging from 4.28% to 4.90% per annum (31 December 2016: 4.37% to 4.90% per annum). The Group did not have any expired but outstanding long-term loans as at 30 June 2017 (31 December 2016: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

9 Bonds payable

Item	Period	Issue date	Face value RMB	Discount amount RMB	Amortisation	Amortisation for the period RMB	Carrying
					as at 1 January 2017 RMB		amount as at 30 June 2017 RMB
2014 corporate bond (first phase)	7 years	28/09/2015	400,000,000.00	(3,620,513.00)	568,520.65	236,190.67	397,184,198.32
2014 corporate bond (second phase)	5 years	17/12/2015	380,000,000.00	(3,439,487.00)	662,273.43	326,188.70	377,548,975.13
Total			<u>780,000,000.00</u>	<u>(7,060,000.00)</u>	<u>1,230,794.08</u>	<u>562,379.37</u>	<u>774,733,173.45</u>

On 28 September 2015, the Company issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB 400 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. On 17 December 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB 380 million with a term of 5 years. Relevant interest is calculated and paid annually at a coupon rate of 3.58% per annum and the principal will be returned upon maturity. In connection with the issuance of these bonds, GCGC provided an unconditional and irrevocable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

10 Other equity instruments

	The Group and The Company	
	As at 30 June 2017 RMB	As at 31 December 2016 RMB
PSCS	—	—

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Other equity instruments *(Continued)*

Note 1: On 31 December 2012, the Company issued PSCS to GCGC, with a principal amount of RMB 281,810,000.00, which equals to the issue price. According to the PSCS agreement, principle terms of the PSCS are as follows:

(1) Conversion

The PSCS is perpetual without expiration date. GCGC may convert all or part of the PSCS into domestic ordinary shares at any time from the issue date, provided that such conversion complies with the terms of agreement and relevant laws and regulations. On or at any time 12 months after the date of issue of the PSCS, the Company may also, at its option, elect to convert the PSCS in whole or in part into domestic shares. The initial conversion price is RMB 2.74 per share. The number of domestic ordinary shares may be converted into is calculated by dividing the amount of principal by the conversion price. The conversion price is subject to adjustment in the event that the shares of the Company have been diluted.

(2) Distribution of earnings

GCGC is entitled to an annual earning calculated at 1% per annum on any outstanding principal amount of PSCS and on a time proportion of the actual days of holding PSCS in a year. Such earnings should be distributed before 30 September in the succeeding year. However, the Company may, at its sole discretion, elect to defer a distribution and the election by the Company to defer a distribution will not trigger any additional payment obligations on the Company. The number of optional deferrals of distributions by the Company is not restricted. The deferral of distribution is required to be informed GCGC in written no later than 10 days before the agreed date for distribution. In the event that all or part of the PSCS are converted into domestic shares, the Company may elect not to make any distribution of earnings that are attributable to those PSCS being converted.

(3) Status and claims

GCGC, as the holder of PSCS, is not entitled to shareholder's rights in the Company. In the event of winding-up of the Company, the rights and claims of GCGC, as the holder of PSCS, shall (i) rank ahead of those persons whose claims are in respect of any class of share capital of the Company; (ii) be subordinated in right of payment to claims of all other present and future preferential creditors of the Company, and (iii) rank pari passu with all the Company's other creditors.

Note 2: On 5 February 2016, the Company entered into a supplemental PSCS agreement with GCGC, whereby GCGC will execute the conversion of PSCS held by it with a principal amount of RMB 281,810,000.00. Taken into account of the diluted events such as capitalisation of share premium and distribution of profits, the adjusted conversion price is RMB 1.625333335 per share, and the number of shares to be converted is 173,385,000, and cash payment of RMB 1,580.00 will be made by the Company to GCGC at the adjusted conversion price to settle the remaining fractional shares. On 24 March 2016, upon the completion of the registration procedures, the PSCS was converted into the domestic shares of the Company, which resulted in an increase of share capital of the Company of RMB 173,385,000.00. The difference of RMB 108,423,420.00 between the principal amount of the PSCS and increase of share capital was recorded as share premium in capital reserve.

Notes to the 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	
Note		2017	2016
		RMB	RMB
	Retained earnings at the beginning of the period	1,003,132,848.80	781,113,221.65
	Add: Net profit attributable to the shareholders of the Company for the period	223,192,125.78	175,369,682.50
	Less: Final dividends in respect of the previous financial year, approved and declared during the interim period	(1) 103,980,214.00	103,980,214.00
	Retained earnings at the end of the period	(2) 1,122,344,760.58	852,502,690.15
	Including: Interim dividend approved and declared after the balance sheet date of the interim period	(3) —	—

		The Company	
		For the six months ended 30 June	
Note		2017	2016
		RMB	RMB
	Retained earnings at the beginning of the period	122,142,940.11	130,547,824.72
	Add: Net profit for the period	82,173,617.44	46,827,473.41
	Less: Final dividends in respect of the previous financial year, approved and declared during the interim period	(1) 103,980,214.00	103,980,214.00
	Retained earnings at the end of the period	(4) 100,336,343.55	73,395,084.13
	Including: Interim dividend approved and declared after the balance sheet date of the interim period	(3) —	—

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 0.13 per share (tax included) for year 2016 were approved for distribution by shareholders at the Annual General Meeting held on 13 June 2017. The total amount of 2016 final dividend was RMB 103,980,214.00, calculated based on the total number of shares of 799,847,800 after taking into account of the conversion of PSCS (corresponding period in 2016: RMB 0.13 per share (tax included), amounting to RMB 103,980,214.00 in total).

Note 2: As at 30 June 2017, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB 385,264,481.78 (31 December 2016: RMB 385,264,481.78).

Note 3: The Board does not recommend distribution of an interim dividend for the period (corresponding period in 2016: Nil).

Note 4: As of 30 June 2017, the Company's distributable profits is RMB 100,336,343.55. As of 31 December 2016, the Company's distributable profits amounted to RMB 122,142,940.11.

12 Equity attributable to the shareholders of the Company

	The Group	
	For the six months ended 30 June	
	2017 RMB	2016 RMB
(1) Equity attributable to the common share holders of the Company	2,230,926,339.57	1,952,672,873.80
(2) Equity attributable to holders of other equity instruments Including: Principal	—	—
Accumulated undistributed earnings at the beginning of the period	—	2,818,100.00
Less: Distributable earnings no longer to be distributed (Note 1)	—	(2,818,100.00)
Accumulated undistributed earnings at the end of the period	—	—
Sub-total	—	—
Total equity attributable to the shareholders of the Company	2,230,926,339.57	1,952,672,873.80

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Equity attributable to the shareholders of the Company *(Continued)*

Note 1: According to the PSCS agreement signed on 5 February 2016, 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.

On 24 March 2016, the PSCS held by GCGC had been fully converted into domestic shares of the Company, amounting to 173,385,000 shares, and those shares were entitled to the distribution of 2015 final dividends. As such, the Company decided not to distribute the accumulated earnings attributable to the holder of PSCS for the period from 1 January 2015 to 23 March 2016 which was calculated at 1% of the principal. The retained earnings of the Group and the Company as at 30 June 2016 did not contain the earnings attributable to the holder of PSCS.

13 Financial expenses

	Note	The Group		The Company	
		For the six months ended 30 June		For the six months ended 30 June	
		2017 RMB	2016 RMB	2017 RMB	2016 RMB
Interest expenses from loans, bonds and payables		28,286,454.29	30,269,432.61	17,781,854.67	18,829,039.93
Including: Interest expenses from loans	(1)	25,528,363.44	28,823,927.63	17,781,854.67	18,829,039.93
Less: Borrowing costs capitalised		2,758,090.85	1,445,504.98	—	—
Net interest expenses		25,528,363.44	28,823,927.63	17,781,854.67	18,829,039.93
Less: Interest income		7,266,753.99	12,571,903.02	15,755,652.11	9,782,370.97
Net exchange (gains)/losses		(661,443.53)	1,761,081.05	(635,889.06)	1,728,286.77
Amortisation of unrecognised financial charges		979,344.24	678,718.33	—	—
Others		3,816,751.47	3,794,459.86	500,256.57	261,796.92
Total		22,396,261.63	22,486,283.85	1,890,570.07	11,036,752.65

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

13 Financial expenses (Continued)

(1) Interest expenses related to bank loans of the Group for current period due within 5 years were RMB 9,801,772.93 (corresponding period in 2016: RMB 13,080,006.55). Interest expenses related to other borrowings were RMB 15,726,590.51 (corresponding period in 2016: RMB 15,743,921.08).

Interest expenses related to loans of the Company for current period due within 5 years were RMB 2,055,264.16 (corresponding period in 2016: RMB 3,085,118.85). Interest expenses related to other borrowings were RMB 15,726,590.51 (corresponding period in 2016: RMB 15,743,921.08).

Capitalised interest expenses of the Group for current period were RMB 2,758,090.85 (corresponding period in 2016: RMB 1,445,504.98).

There was no capitalised interest expense of the Company for current period (corresponding period in 2016: Nil).

14 Investment income

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	RMB	RMB	RMB	RMB
Income from investments in subsidiaries accounting for using cost method	—	—	—	3,523,199.79
Income from investments in associates accounting for using equity method	18,117,343.97	10,603,818.90	19,265,644.92	10,462,996.59
Income from investments in joint ventures accounting for using equity method	7,212,578.69	4,757,674.46	—	—
Others	(229,690.69)	(160,618.55)	—	—
Total	<u>25,100,231.97</u>	<u>15,200,874.81</u>	<u>19,265,644.92</u>	<u>13,986,196.38</u>
Including:				
Income from investment in associates accounting for using equity method attributable to shareholders of th Company	<u>17,843,023.98</u>	<u>10,588,364.27</u>	<u>19,265,644.92</u>	<u>10,462,996.59</u>
Income from investment in joint ventures accounting for using equity method attributable to shareholders of the Company	<u>7,031,357.81</u>	<u>4,632,369.76</u>	—	—

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

15 Government grants

(1) Government grants related to assets

Government grants of the Group that are related to assets during this period are summarised as follows:

Items	Balance of deferred income at the beginning of the period RMB	Additions during the period RMB	Recognition as other income RMB	Balance of deferred income at the end of the period RMB
Subsidies for vehicles replacement	10,973,137.53	1,161,855.07	(1,452,620.72)	10,682,371.88
Subsidies for station renovation	67,796,855.94	4,100,000.45	(6,780,043.05)	65,116,813.34
Tax subsidies for vehicle purchase	14,140,175.15	—	(212,765.94)	13,927,409.21
Subsidies of procurement of new energy vehicles	166,784,968.10	—	(17,063,614.44)	149,721,353.66
Software development subsidies	2,500,000.00	—	—	2,500,000.00
Other subsidies related to assets	5,220,469.46	700,000.00	(68,437.43)	5,852,032.03
Total	<u>267,415,606.18</u>	<u>5,961,855.52</u>	<u>(25,577,481.58)</u>	<u>247,799,980.12</u>

(2) Government grants related to income

Government grants of the Group that are related to income during this period are summarised as follows:

Impact on income statement items

(a) Offsetting against operation costs:

Items

Fuel subsidies

For the six
months ended
30 June 2017
RMB

46,555,771.33

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

15 Government grants (continued)

(2) Government grants related to income (Continued)

(b) Recognising as other income:

Items

Subsidies for operation
Subsidies of elderly concessionary travel card

Total

For the six months ended 30 June 2017 RMB
10,893,112.20
<u>2,604,105.87</u>
<u><u>13,497,218.07</u></u>

(c) Recognising as non-operating income:

Items

Subsidies for vehicle disposals
Other subsidies

Total

For the six months ended 30 June 2017 RMB
2,386,941.92
<u>1,470,732.72</u>
<u><u>3,857,674.64</u></u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

16 Non-operating income

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	RMB	RMB	RMB	RMB
Gains on disposals of non-current assets	466,017.44	3,443,866.60	—	—
Including: Gains on disposals of fixed assets	460,656.59	3,418,523.36	—	—
Government grants	3,857,674.64	41,625,205.31	—	—
Others	3,985,363.51	5,206,280.73	470.09	49,400.00
Total	8,309,055.59	50,275,352.64	470.09	49,400.00

17 Income tax expenses

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	RMB	RMB	RMB	RMB
Current tax expenses for the period based on tax law and regulations	94,422,679.23	86,816,265.18	18,934,162.46	7,809,566.46
Including: Mainland China	93,874,916.57	86,668,354.28	18,934,162.46	7,809,566.46
Hong Kong	547,762.66	147,910.90	—	—
Tax filing differences	378,663.47	861,615.66	391,709.13	(72,221.25)
Changes in deferred tax	2,317,480.06	801,414.77	2,304,107.46	3,304,292.47
Total	97,118,822.76	88,479,295.61	21,629,979.05	11,041,637.68

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

18 Profit before income tax

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

	The Group	
	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Depreciation of fixed assets	221,651,151.42	211,671,291.51
Depreciation of investment properties	2,324,254.70	2,424,885.55
Amortisation of intangible assets	30,073,310.12	27,869,466.54
Amortisation of long-term deferred expenses	6,232,113.28	4,459,270.84
Reversal of bad debt provision	(2,033,724.50)	(2,933,911.00)
Rental expenses	98,930,153.99	77,898,527.71

19 Earnings per share

(1) Basic earnings per share

Basic 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 during the period. The calculation is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Net profit attributable to shareholders of the Company	223,192,125.78	175,369,682.50
Weighted average number of ordinary shares in issue during the period	799,847,800.00	720,339,800.00
Basic earnings per share (RMB/share)	0.28	0.24

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

19 Earnings per share *(Continued)*

(1) *Basic earnings per share (Continued)*

Weighted average number of ordinary shares in issue during the period is calculated as follows:

	For the six months ended 30 June	
	2017	2016
	Shares	Shares
Issued ordinary shares at the beginning of the period	799,847,800.00	626,462,800.00
Effect of conversion of PSCS	—	93,877,000.00
Issued ordinary shares at the end of the period (Note)	799,847,800.00	720,339,800.00

Note: The weighted average number of ordinary shares in issue for 2016 has taken into account of the effect of the conversion of PSCS on 24 March 2016.

(2) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue (diluted) (as if all PSCS has been converted into ordinary shares at the beginning of the period). The calculation is as follows:

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Net profit attributable to shareholders of the Company	223,192,125.78	175,369,682.50
Weighted average number of ordinary shares in issue during the period (diluted)	799,847,800.00	799,847,800.00
Diluted earnings per share (RMB/share)	0.28	0.22

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

19 Earnings per share *(Continued)*

(2) Diluted earnings per share *(Continued)*

Weighted average number of ordinary shares in issue during the period (diluted) is calculated as follows:

	For the six months ended 30 June	
	2017 Shares	2016 Shares
Issued ordinary shares at the end of the period (Note 1)	799,847,800.00	720,339,800.00
Diluted adjustment:		
Effect of PSCS (Note 2)	<u>—</u>	<u>79,508,000.00</u>
Issued ordinary shares at the end of the period (diluted)	<u>799,847,800.00</u>	<u>799,847,800.00</u>

Note 1: The weighted average number of ordinary shares in issue for corresponding period was taken into account of the effect of the conversion of PSCS on 24 March 2016.

Note 2: As mentioned in Note V.10, note 2, on 24 March 2016, the PSCS held by GCGC was converted into ordinary shares of the Company. The weighted average number of ordinary shares in issue for corresponding period (diluted) was calculated as if the PSCS had been converted into ordinary shares since 1 January 2016.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 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	
	2017	2016
	RMB	RMB
Net profit	265,324,045.06	218,239,197.50
Add: Impairment reversal for assets	(2,033,724.50)	(2,933,911.00)
Depreciation of fixed assets	221,651,151.42	211,671,291.51
Depreciation of investment properties	2,324,254.70	2,424,885.55
Amortisation of intangible assets	30,073,310.12	27,869,466.54
Amortisation of long-term deferred expenses	6,232,113.28	4,459,270.84
Losses/(gains) on disposal of fixed assets, intangible assets, and other long-term assets	1,054,942.11	(2,703,423.95)
Financial expenses	28,615,461.58	27,499,440.39
Investment income	(25,100,231.97)	(15,200,874.81)
Decrease in deferred tax assets	2,462,782.94	686,110.55
(Decrease)/increase in deferred tax liabilities	(128,759.63)	308,312.26
Increase in gross inventories	(153,784,081.06)	(23,651,168.84)
Increase in operating receivables	(349,443,746.37)	(212,995,690.28)
Decrease in operating payables	(159,438,039.28)	(142,892,420.33)
(Decrease)/increase in special reserve	(1,238,183.48)	6,499,679.28
Changes in restricted cash	(636,594.95)	1,153,774.09
Decrease in long-term receivables	3,216,707.56	551,273.97
Increase in long-term payables	1,533,552.63	4,877,010.23
Net cash (outflow)/inflow from operating activities	<u>(129,315,039.84)</u>	<u>105,862,223.50</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 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	
	2017	2016
	RMB	RMB
Net profit	82,173,617.44	46,827,473.41
Add: Impairment reversal for assets	(1,574,857.14)	(2,913,911.00)
Depreciation of fixed assets	430,514.95	593,493.86
Amortisation of intangible assets	8,625,273.37	9,558,362.30
Amortisation of long-term deferred expenses	1,116,779.47	1,378,591.20
Financial expenses	6,259,585.81	15,425,455.35
Investment income	(19,265,644.92)	(13,986,196.38)
Increase in deferred tax assets	2,304,107.46	3,304,292.47
Increase in gross inventories	(34,777,733.40)	(4,711,998.93)
Changes in special reserve	56,154.33	35,798.27
Increase in operating receivables	(238,570,250.75)	(126,434,162.39)
Increase/(decrease) in operating payables	31,698,036.94	(78,663,109.69)
Net cash outflow from operating activities	<u>(161,524,416.44)</u>	<u>(149,585,911.53)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 Supplement to cash flow statement *(Continued)*

(2) Change in cash and cash equivalents:

	The Group	
	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Cash at the end of the period (Note)	1,322,908,665.51	1,522,658,771.44
Less: Cash at the beginning of the period (Note)	1,594,659,167.72	1,923,407,216.22
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>(271,750,502.21)</u>	<u>(400,748,444.78)</u>

Note: As at 30 June 2017, the balance of cash included deposits for bank acceptance bills, letter of guarantee and performance bonds, bidding deposits and housing repairment fund in an aggregate amount of RMB 10,359,903.67 (31 December 2016: RMB 9,723,308.72), which was deducted from the balance of cash and cash equivalents.

	The Company	
	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Cash at the end of the period	738,522,960.46	1,018,911,901.76
Less: Cash at the beginning of the period	1,109,152,535.46	1,381,281,009.40
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>(370,629,575.00)</u>	<u>(362,369,107.64)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 Supplement to cash flow statement *(Continued)*

(3) Details of cash and cash equivalents

	The Group	
	As at	As at
	30 June 2017	30 June 2016
	RMB	RMB
(a) Cash at bank and on hand		
- Cash on hand	12,441,844.72	5,218,633.17
- Bank deposits available on demand	1,310,466,820.79	1,517,440,138.27
- Restricted cash	10,359,903.67	9,200,614.56
(b) Cash and cash equivalents at the end of the period	1,333,268,569.18	1,531,859,386.00
Less: Restricted cash	10,359,903.67	9,200,614.56
(c) Cash and cash equivalents available on demand at the end of the period	1,322,908,665.51	1,522,658,771.44

	The Company	
	As at	As at
	30 June 2017	30 June 2016
	RMB	RMB
(a) Cash at bank and on hand		
- Cash on hand	926.69	569.71
- Bank deposits available on demand	738,522,033.77	1,018,911,332.05
(b) Cash and cash equivalents at the end of the period	738,522,960.46	1,018,911,901.76
(c) Cash and cash equivalents available on demand at the end of the period	738,522,960.46	1,018,911,901.76

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 Supplement to cash flow statement *(Continued)*

(4) Information on acquisition of subsidiaries during the period

	The Group
	RMB
Consideration of acquisition	5,870,000.00
Cash and cash equivalents paid for acquiring subsidiaries	5,870,000.00
Less: Cash and cash equivalents held by subsidiaries	85,879.58
Net cash outflow for the acquisition	5,784,120.42
Non-cash assets and liabilities held by the acquired subsidiaries	
Current assets	85,879.58
Non-current assets	9,214,120.42
Current liabilities	—

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

Cash proceeds payment/from other financing activities of the Company represent the net cash outflow/inflow in the cash pool accounts, which centrally managed the funds from the bank accounts of certain subsidiaries.

The cash pool accounts centrally managed and daily allocated or collected 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 outflow or inflow 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)

21 Segment reporting

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group were previously classified into four segments, including motor transportation and auxiliary services, material logistics services, expressway services and Taiping Interchange. In the second half of 2016, in order to cope with the implementation of the 13th Five-Year strategic development plan, the Group reorganised the internal management structure and revised the internal reporting policy, and reclassified the operations into three segments, including travel services, modern logistics and resources development. For the convenience of comparison, the comparative information of segment reporting for the six months ended 30 June 2016 has been restated in accordance with the revised classification. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies.

(1) Segment reporting

	Travel service RMB	Modern logistics RMB	Resource development RMB	Inter-segment elimination RMB	Total RMB
For the six months ended 30 June 2017					
Operating income					
External income	2,154,569,343.89	934,179,040.69	143,288,552.52	—	3,232,036,937.10
Inter-segment income	2,080,607.51	—	4,536,348.41	(6,616,955.92)	—
Total segment operating income	2,156,649,951.40	934,179,040.69	147,824,900.93	(6,616,955.92)	3,232,036,937.10
Total segment operating costs	1,677,227,588.02	836,421,996.00	38,484,073.90	(246,908.62)	2,551,886,749.30
Segment operating profit	<u>205,827,556.89</u>	<u>72,900,309.68</u>	<u>79,006,777.78</u>	<u>(520,342.37)</u>	<u>357,214,301.98</u>
For the six months ended 30 June 2016					
Operating income					
External income	1,992,803,807.02	1,008,928,921.17	129,898,902.97	—	3,131,631,631.16
Inter-segment income	1,754,209.97	—	4,386,066.03	(6,140,276.00)	—
Total segment operating income	1,994,558,016.99	1,008,928,921.17	134,284,969.00	(6,140,276.00)	3,131,631,631.16
Total segment operating costs	1,494,590,716.93	956,020,467.29	35,421,509.68	(327,438.13)	2,485,705,255.77
Segment operating profit	<u>182,661,108.75</u>	<u>20,655,061.86</u>	<u>61,571,799.00</u>	<u>(3,570,214.31)</u>	<u>261,317,755.30</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Segment reporting *(Continued)*

(1) Segment reporting (Continued)

	Travel service RMB	Modern logistics RMB	Resource development RMB	Inter-segment elimination RMB	Total RMB
As at 30 June 2017					
Total segment assets	6,313,847,531.50	1,192,006,700.84	3,551,735,175.05	(3,134,362,124.74)	7,923,227,282.65
Total segment liabilities	<u>3,375,143,190.64</u>	<u>1,723,611,986.19</u>	<u>1,274,078,814.89</u>	<u>(1,917,615,307.49)</u>	<u>4,455,218,684.23</u>
As at 31 December 2016					
Total segment assets	6,265,321,571.90	1,864,499,513.78	3,063,292,940.92	(3,530,221,818.95)	7,662,892,207.65
Total segment liabilities	<u>3,426,941,481.57</u>	<u>1,743,472,357.99</u>	<u>1,451,612,310.65</u>	<u>(2,313,698,054.33)</u>	<u>4,308,328,095.88</u>

(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 122,397,338.29 in the current period (corresponding period in 2016: RMB 115,495,067.10). As at 30 June 2017, the Group's non-current assets held by the Hong Kong operations amounted to RMB 155,125,310.83 (31 December 2016: RMB 145,969,314.01).

(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 and the corresponding period of 2016.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

22 Net current assets

	The Group		The Company	
	As at 30 June 2017 RMB	As at 31 December 2016 RMB	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Current assets	3,194,484,821.92	3,029,596,899.28	1,892,761,271.70	2,048,183,081.65
Less: Current liabilities	2,535,880,961.24	2,447,387,235.99	1,328,059,787.01	1,451,152,994.59
Net current assets	658,603,860.68	582,209,663.29	564,701,484.69	597,030,087.06

23 Total assets less current liabilities

	The Group		The Company	
	As at 30 June 2017 RMB	As at 31 December 2016 RMB	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Total assets	7,923,227,282.65	7,662,892,207.65	3,399,428,871.62	3,543,710,142.06
Less: Current liabilities	2,535,880,961.24	2,447,387,235.99	1,328,059,787.01	1,451,152,994.59
Total assets less current liabilities	5,387,346,321.41	5,215,504,971.66	2,071,369,084.61	2,092,557,147.47

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 Group's ultimate holding company is GCGC.

2 Information of subsidiaries

Except for the new subsidiaries as disclosed in Note IV. 1 and 2 to the interim financial report, there is no significant change on the information of other group subsidiaries.

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

	Related party relationships
Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd.	Being Joint venture before September 2016, and being subsidiary of the Company since September 2016
Guangdong Province Bus Terminal Co., Ltd.	Joint venture of a subsidiary of the Company
Guandong Zhongyou Top-E Energy Trading Company Limited	Joint venture of a subsidiary of the Company
Shenzhen Yueyun Investment Development Company Limited ("Shenzhen Yueyun")	Associate of a subsidiary of the Company
Express Cross-Border Coach Management Company Limited	Associate of a subsidiary of the Company
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaonan Yueyun Sky Island Transportation Company Limited	Associate of a subsidiary of the Company
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Associate of a subsidiary of the Company
Guangzhou Tianhe Coach Terminal Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company

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 Automobile Passenger Traffic Center Co., Ltd.	Associate of a subsidiary of the Company
Jiangmen Guangjiang Expressway Passenger Co., Ltd.	Associate of a subsidiary of the Company
Qingyuan Zhongguan Development Co., Ltd.	Associate of a subsidiary of the Company
Southern United Assets and Equity Exchange Co., Ltd.	Associate of the Company
Guangdong Zhongyuetong Oil Trading Company Limited	Associate of the Company
Guangdong Province Highway Construction Company Limited	Controlled by the ultimate holding company
Guangdong Province Road & Bridge Construction Development Company Limited	Controlled by the ultimate holding company
Guangdong Oriental Thought Technology 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 KaiYang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Litong Properties Investment Company Limited	Controlled by the ultimate holding company
Guangdong Mao-Zhan 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 Province Freeway Company Limited	Controlled by the ultimate holding company
Guangdong Province 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 Yuedong 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 Xinyue Asphalt Company Limited	Controlled by the ultimate holding company
Heyuan He-Long Expressway Company Limited	Controlled by the ultimate holding company
Jingzhu Expressway Guangzhu Section Company Limited	Controlled by the ultimate holding company
Weisheng Transportation Enterprises Company Limited ("Weisheng Transportation")	Controlled by the ultimate holding company
Yunfu City GuangYun 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 Western Coastal Expressway Operation Company Limited	Controlled by the ultimate holding company
Guangdong Western Shen-Shan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Gao-Da Property Development Company Limited	Controlled by the ultimate holding company
Guangdong Province Gongbei Vehicles Transportation Company Limited	Controlled by the ultimate holding company
Kee Kwan Motor Road Company Limited	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Xinhui Section Company Limited	Controlled by the ultimate holding company
Weisheng Freight Company Limited	Controlled by the ultimate holding company
Guangdong High Science and Technology Investment Company Limited	Controlled by the ultimate holding company
Guangdong GuangHui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Lulutong Company Limited	Controlled by the ultimate holding company
Guangdong Luo-Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Province Fokai Expressway Company Limited	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

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 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 Bao-Mao Expressway Company Limited	Controlled by the ultimate holding company
Kee Kwan Travel 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 Ninghua Expressway Company Limited	Controlled by the ultimate holding company
Dongguan Weisheng International Logistic Co., Ltd.	Controlled by the ultimate holding company
Xingning Automobile Transportation Company Limited	Controlled by the ultimate holding company
Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	Controlled by the ultimate holding company
Guangdong Communication Enterprise Investment Company Limited	Controlled by the ultimate holding company
Weisheng Bus 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 Guangfozhao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance")	Controlled by the ultimate holding company
Wuhua automobile transportation Company Limited	Controlled by the ultimate holding company
Guangdong Chao-Shan Loop Expressway Company Limited	Controlled by the ultimate holding company
Chaozhou Yueyun Vehicles Transportation Company Limited	Controlled by the ultimate holding company
Guangdong Hui-Qing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Gaintop Highway Engineering Construction Group Company Limited	Associate of the ultimate holding company
Guangdong Humen Bridge Company Limited	Joint venture of the ultimate holding company
Guangdong Feida Traffic Engineering Company Limited	Associate of a subsidiary of the ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Associate of a subsidiary of the ultimate holding company
Foshan Guang-San Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Jiangmen City Jiang-He Expressway 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

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
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

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

Connected transactions between the Group and its related parties are defined as follows:

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

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

Sales, rendering of services and purchases, receipt of services between the Group and its related parties were as follows:

	For the six months ended 30 June	
	2017 RMB	2016 RMB
(1) Material logistics service income		
Guangdong Province Changda Highway Engineering Company Limited#	101,013,578.48	197,322,172.23
Guangzhou Xinyue Asphalt Company Limited#	4,916,973.05	5,387,879.99
Guangdong Gaintop Highway Engineering Construction Group Company Limited#	530,004.50	24,971,070.78
Total	106,460,556.03	227,681,123.00

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

	For the six months ended 30 June	
	2017 RMB	2016 RMB
(2) Expressway services income		
Guangdong Province Changda Highway Engineering Company Limited*	—	1,723,066.51
Guangdong Guangzhu Expressway West Section Company Limited*	—	789,138.88
Guang-Shen-Zhu Expressway Company Limited*	—	257,534.62
Others*	—	197,400.01
Total	—	2,967,140.02
(3) Cross-border transportation services income		
Express Cross-Border Coach Management Company Limited	13,551,121.08	10,076,071.42

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	
	2017 RMB	2016 RMB
(4) Repairing income		
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	225,380.84	—
Dongguan Weisheng International Logistic Co., Ltd. #	120,893.20	193,233.60
Meizhou Yueyun*	6,902.57	16,871.79
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	598.29	13,954.69
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	—	11,837.61
Total	353,774.90	235,897.69
(5) Rendering of other services income		
Jingzhu Expressway Guangzhu Section Company Limited#	332,436.41	378,074.15
Guangdong Province Freeway Company Limited Express Cross-Border Coach Management Company Limited#	116,496.22	—
Shenzhen Yueyun*	—	82,506.94
Xingning Automobile Transportation Company Limited	—	445,980.46
Guangdong Province Highway Construction Company Limited#	—	100,082.72
Others	—	88,222.50
Total	529,672.84	1,105,561.94

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)*

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

	For the six months ended 30 June	
	2017 RMB	2016 RMB
(6) Road rescue service income		
Guangdong Province Road & Bridge Construction Development Company Limited [#]	4,122,042.48	2,591,031.04
Guangdong Province Freeway Company Limited [#]	3,014,257.85	1,961,848.43
Guangdong Guangle Expressway Company Limited [#]	2,101,415.10	1,541,037.72
Guangdong Chao-Hui Expressway Company Limited [#]	1,745,497.68	217,083.96
Guangdong Er-Guang Expressway Company Limited [#]	1,358,490.54	996,226.44
Guangdong Guangfozhao Expressway Company Limited [#]	1,237,393.86	—
Guangdong Yun-Wu Expressway Company Limited [#]	1,158,962.28	849,905.64
Guangdong Bo-Da Expressway Company Limited [#]	1,072,132.92	768,453.32
Guangdong Mei-He Expressway Company Limited [#]	1,020,778.32	748,570.74
Guangdong Province Highway Construction Company Limited [#]	979,245.24	—
Guangdong Yue-Gan Expressway Company Limited [#]	962,264.16	705,660.36
Guangdong Kai-Yang Expressway Company Limited [#]	891,509.46	653,773.61
Guangdong Bao-Mao Expressway Company Limited [#]	865,330.20	423,050.32
Guangdong Zhao-Yang Expressway Company Limited [#]	840,247.68	616,181.58

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	
	2017 RMB	2016 RMB
(6) Road rescue service income (Continued)		
Zhaoqing City Guang-He Expressway Company Limited [#]	820,754.70	401,257.88
Guangdong Ping-Xing Expressway Company Limited [#]	697,245.30	340,875.44
Guangdong Yuedong Freeway Industry Development Company Limited [#]	611,653.32	448,545.73
Guangdong Taishan Coastal Expressway Company Limited [#]	610,464.60	447,674.04
Guangdong Luo-Yang Expressway Company Limited [#]	589,231.14	—
Guangdong He-Hui Expressway Company Limited [#]	569,575.56	417,688.68
Guangdong Yang-Mao Expressway Company Limited [#]	564,339.60	413,849.04
Guangdong Shanfen Expressway Company Limited [#]	448,131.24	341,690.08
Guangdong Western Coastal Expressway Zhuhai Section Company Limited [#]	400,584.35	286,752.36
Guangdong Mao-Zhan Expressway Company Limited [#]	382,075.50	280,188.66
Heyuan He-Long Expressway Company Limited [#]	297,806.58	218,391.54
Others [#]	110,774.02	462,696.78
Total	27,472,203.68	16,132,433.39

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	
	2017 RMB	2016 RMB
(7) Rental income		
Express Cross-Border Coach Management Company Limited	660,000.00	539,045.33
Guangdong Xinyue Communications Investment Company Limited [#]	148,857.15	149,390.48
Guang-Shen-Zhu Expressway Company Limited [#]	—	307,807.44
Others	100,967.91	37,089.42
Total	909,825.06	1,033,332.67
(8) Sales of convenience store products		
Meizhou Yueyun [*]	658,576.92	440,951.70

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	
	2017 RMB	2016 RMB
(9) Purchase of materials		
Guangzhou Xinyue Asphalt Company Limited [#]	137,588,769.80	58,969,278.70
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	25,811,634.92	16,733,061.74
Total	163,400,404.72	75,702,340.44

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	
	2017 RMB	2016 RMB
(10) Expressway service zones operation expenses		
Guang-Shen-Zhu Expressway Company Limited#	7,350,709.93	8,233,499.16
Guangdong Province Freeway Company Limited#	6,817,844.04	2,201,116.91
Guangdong Guangzhu Expressway West Section Company Limited#	6,583,519.36	4,912,945.32
Guangdong Guangle Expressway Company Limited#	4,455,515.22	4,639,031.52
Guangdong Yue-Gan Expressway Company Limited#	4,042,869.59	4,222,895.67
Guangdong Province Road & Bridge Construction Development Company Limited#	3,945,156.55	4,036,180.51
Guangdong Guangfozhao Expressway Company Limited#	3,454,789.80	—
Guangdong Kai-Yang Expressway Company Limited#	2,935,454.61	3,330,722.92
Guangdong Chao-Hui Expressway Company Limited#	2,525,823.50	409,482.48
Guangdong Yun-Wu Expressway Company Limited#	2,095,238.16	2,258,748.06
Guangdong Yang-Mao Expressway Company Limited#	2,052,833.43	1,945,660.25
Guangdong MeiHe Expressway Company Limited#	1,826,561.37	1,996,238.98
Guangdong Bo-Da Expressway Company Limited#	1,708,794.77	1,786,389.24
Guangdong Province Highway Construction Company Limited#	1,610,422.62	1,870,458.04
Guangdong Jiangzhong Expressway Company Limited#	1,416,701.59	1,435,271.37
Guangdong Mao-Zhan Expressway Company Limited#	1,355,233.40	1,535,819.61

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	
	2017 RMB	2016 RMB
(10) Expressway service zones operation expenses (Continued)		
Guangfo Expressway Company Limited [#]	1,233,613.24	1,256,999.01
Guangdong Province Fokai Expressway Company Limited [#]	1,195,835.58	1,009,000.02
Guangdong Yu-Zhan Expressway Company Limited [#]	1,174,168.41	1,238,678.83
Guangdong Er-Guang Expressway Company Limited [#]	1,173,794.83	1,232,484.54
Guangdong ZhaoYang Expressway Company Limited [#]	1,060,778.25	944,750.04
Guangdong Bao-Mao Expressway Company Limited [#]	1,047,813.61	908,129.52
Guangdong Shanfen Expressway Company Limited [#]	992,090.65	1,046,996.16
Jingzhu Expressway Guangzhu Section Company Limited [#]	899,800.00	881,600.00
Yunfu City GuangYun Expressway Company Limited [#]	861,315.39	617,216.97
Guangdong Luo-Yang Expressway Company Limited [#]	830,541.43	—
Heyuan He-Long Expressway Company Limited [#]	703,858.17	793,689.71
Guangdong Ping-Xing Expressway Company Limited [#]	697,080.18	632,450.04
Guangdong Western Coastal Expressway Zhuhai Section Company Limited [#]	668,197.42	681,453.98
Zhaoqing Yuezhao Expressway Company Limited [#]	630,484.44	600,000.00
Guangdong He-Hui Expressway Company Limited [#]	523,610.36	850,640.17

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	
	2017 RMB	2016 RMB
(10) Expressway service zones operation expenses (Continued)		
Guangdong Yuedong Freeway Industry Development Company Limited [#]	406,548.17	379,690.45
Foshan Guang-San Expressway Company Limited [#]	329,428.79	184,080.61
Guangdong Taishan Coastal Expressway Company Limited [#]	244,952.36	299,291.06
Guangdong Western Shen-Shan Expressway Company Limited [#]	234,128.16	1,875,606.67
Guangdong Humen Bridge Company Limited [#]	206,614.08	356,896.03
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited [#]	165,589.98	—
Others [#]	121,595.53	195,838.37
Total	69,579,306.97	60,799,952.22

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	
	2017 RMB	2016 RMB
(11) Rental expenses		
Yueyun Investment Management [#]	3,075,383.70	850,908.00
Guang-Shen-Zhu Expressway Company Limited [#]	307,808.12	—
Others	96,838.12	—
Total	3,480,029.94	850,908.00
(12) Repair and maintenance charges		
Guangdong Xinyue Communications Investment Company Limited [#]	970,398.00	—
Guangdong Humen Bridge Company Limited [#]	330,000.00	300,000.00
Guangzhou Hualu Transport Technology Company Limited [#]	292,574.02	—
Guangzhou High Science and Technology Investment Company Limited [#]	33,000.00	—
Total	1,625,972.02	300,000.00
(13) Receipt of services		
Guangdong Province Changda Highway Engineering Company Limited	2,630,018.02	—
Guangdong Humen Bridge Company Limited [#]	2,350,000.00	2,350,000.00
Dongguan Weisheng International Logistic Co., Ltd. [#]	752,755.84	—
Guangdong Xinyue Communications Investment Company Limited [#]	—	398,343.06
Guangzhou Newsoft Technology Company Limited [#]	—	323,245.98
Others [#]	31,965.28	227,255.08
Total	5,764,739.14	3,298,844.12

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) Borrowings from related parties

Related parties	Annual interest rate	Opening	Additions during the year	Repayments during the year	Ending	Period
		Balance as at 1 January 2017			balance as at 30 June 2017	
		RMB	RMB	RMB	RMB	
GCG Finance	4.37%	30,000,000.00	—	1,000,000.00	29,000,000.00	19/12/2016-18/12/2019
GCG Finance	4.465%	17,000,000.00	—	100,000.00	16,900,000.00	20/12/2016-19/12/2019
GCG Finance	4.37%	20,000,000.00	—	—	20,000,000.00	28/12/2016-27/12/2019
GCG Finance	4.37%	—	25,000,000.00	1,000,000.00	24,000,000.00	18/01/2017-17/01/2020
GCG Finance	4.37%	—	5,000,000.00	100,000.00	4,900,000.00	06/03/2017-05/03/2020
GCG Finance	4.37%	—	66,000,000.00	100,000.00	65,900,000.00	22/03/2017-21/03/2020
GCG Finance	4.37%	—	10,000,000.00	—	10,000,000.00	27/04/2017-26/04/2020
GCG Finance	4.37%	—	20,000,000.00	—	20,000,000.00	21/06/2017-20/06/2020

For details of interest expenses arising from the above borrowings, please refer to Note VI. 4(e).

(c) Cash pool transaction

Pursuant to the relevant agreements, the Group centrally manages the funds from 5 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 (o) "Other payables-Cash pool" regarding related parties' cash pool accounts information and Note VI. 4(e) regarding relevant interest expense.

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) GCG Finance deposit transaction**

According to the intercompany settlement account management agreement and general agreement on deposit, the Group opened a deposit account in GCG Finance with a demand interest rate or conventional interest rate. The deposit is accounted as deposit in GCG Finance by the Group and the Company. Please refer to Note VI. 4(o) "Cash at bank and on hand" for more information.

(e) Interest income and interest expense

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Interest income		
GCG Finance*	338,491.24	—
Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd.	—	50,943.40
Total	338,491.24	50,943.40

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Interest expenses		
GCG Finance*	2,788,334.46	—
GVTG cash pool	30,628.12	33,341.67
Total	2,818,962.58	33,341.67

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) Receipt of information system development and maintenance service

	For the six months ended 30 June	
	2017 RMB	2016 RMB
Guangdong Feida Traffic Engineering Company Limited*	—	668,389.62
Guangdong Oriental Thought Technology Company Limited*	—	210,000.00
Total	—	878,389.62

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

(g) Freight transportation service outsourcing

On 26 February 2015, The Motor Transport Company of Guangdong and Hong Kong Limited ("Motor Transport Hong Kong"), a subsidiary of the Group, entered into a freight transportation contracting agreement with Weisheng Transportation, under a contract term from 1 March 2015 to 31 December 2017, with a monthly agreed contracting fee of HKD 516,700.00. Disbursements incurred for the freight transportation service was paid by Motor Transport Hong Kong on behalf of Weisheng Transportation. As of 30 June 2016, the freight transportation outsourcing income and disbursements of Motor Transport Hong Kong amounted to RMB 3,820,021.19 and RMB 5,793,788.10, totaling RMB 9,613,809.29.

For the six months ended 30 June 2017, the freight transportation outsourcing income and disbursements of Motor Transport Hong Kong amounted to RMB 3,781,650.19 and RMB 5,456,333.83, totaling RMB 9,237,984.02.

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)*

(h) Passenger transportation service outsourcing

On 26 February 2015, Weisheng Transportation entered into a passenger transportation contracting agreement with Motor Transport Hong Kong, under a contract term from 1 March 2015 to 31 December 2017, with a monthly agreed contracting fee of HKD 250,000.00. Disbursements incurred for the passenger transportation service was paid by Weisheng Transportation on behalf of The Motor Transport Hong Kong. As of 30 June 2016, the passenger transportation outsourcing fee of Motor Transport Hong Kong and disbursements paid by Weisheng Transportation amounted to RMB 2,235,553.48 and RMB 4,370,770.67, totaling RMB 6,606,324.15.

For the six months ended 30 June 2017, the passenger transportation outsourcing fee of Motor Transport Hong Kong and disbursements paid by Weisheng Transportation amounted to RMB 2,429,316.58 and RMB 2,797,715.06, totaling RMB 5,227,031.64.

(i) Entrusted management

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Management fee income		
Yueyun Investment Management [#]	3,614,150.94	3,758,716.98

According to the Entrusted Management Contract between the Company and Yueyun Investment Management on 30 December 2014, Yueyun Investment Management fully entrusted the Company to manage its equity interest in Shenzhen Yueyun, Yangjiang Transportation and Meizhou Yueyun and to operate these three companies. The contracting period of entrusted management will end on 31 December 2015, with annual management fee of RMB 7,662,000.00 in total. On 30 December 2015, the Company and Yueyun Investment Management entered into a supplemental contract to extend the contracting period to 31 December 2018, the annual management fee remains the same.

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)*

(j) Trademark and route operation licenses

During the current period and last year, GVTG granted Shenzhen Yueyun, Yangjiang Transportation, Meizhou Yueyun and some associates with the trademark use right of "Yueyun" and certain route operation licenses at nil consideration.

(k) Road and bridge tolls

The Group's subsidiaries which are engaged in transportation services paid road and bridge tolls to those road and bridge companies held by GCGC when providing transportation services. The road and bridge tolls are made and published by local government and price control department.

(l) Property management services

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Yueyun Investment Management*	3,475,465.11	3,780,103.64

On 19 June 2012, Yueyun Investment Management entered into an agreement with Guangdong Yunxing Property Management Co., Ltd. ("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. On 30 October 2016, Yueyun Investment Management entered into an agreement with Guangdong Yunxing to extend the period for property management to 31 December 2019.

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)*

(m) Guarantees

In September 2015, the Company issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB 400 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum. In December 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB 380 million with a term of 5 years. Relevant interest is calculated and paid annually at a coupon rate of 3.58% per annum. In connection with the issuance of these bonds, GCGC provided an unconditional and irrecoverable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

(n) Conversion of PSCS

On 5 February 2016, the Company entered into a supplemental PSCS agreement with GCGC, whereby GCGC will execute the conversion of PSCS held by it with a principal amount of RMB 281,810,000.00. Taken into account of the diluted events such as capitalisation of share premium and distribution of profits, the adjusted conversion price is RMB 1.625333335 per share, and the number of shares to be converted is 173,385,000, and cash payment of RMB 1,580.00 will be made by the Company to GCGC at the adjusted conversion price to settle the remaining fractional shares. On 24 March 2016, upon the completion of the registration procedures, the PSCS was converted into the domestic shares of the Company, which resulted in an increase of share capital of the Company of RMB 173,385,000.00. The difference of RMB 108,423,420.00 between the principal amount of the PSCS and increase of share capital was recorded as share premium in capital reserve.

Notes to the 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)*

(o) Amounts due to/from related parties

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Cash at bank and on hand	GCG Finance	180,767,975.29	50,252,470.02
Accounts receivable	Guangdong Xinyue Communications Investment Company Limited	55,653,027.44	55,653,027.44
	Guangdong Province Highway Construction Company Limited	37,322,213.04	12,209,662.67
	Guangdong Chao-Hui Expressway Company Limited	27,626,064.85	34,778,222.97
	Guangdong Yun-Wu Expressway Company Limited	26,639,010.48	25,650,029.37
	Guangdong Humen Bridge Company Limited	17,616,664.72	4,469,217.84
	Guangdong Chao-Shan Loop Expressway Company Limited	17,392,704.29	—
	Guangdong Province Road & Bridge Construction Development Company Limited	10,767,380.71	9,727,490.74
	Guangdong Province Changda Highway Engineering Company Limited	10,480,752.20	10,722,762.20
	Guangdong Guangle Expressway Company Limited	7,279,135.53	8,164,895.81
	Guangdong Ping-Xing Expressway Company Limited	5,034,856.69	4,404,175.69
	Guangdong Bao-Mao Expressway Company Limited	4,960,445.48	5,095,115.28
	Guangdong Province Freeway Company Limited	4,955,195.46	5,381,816.70
	Yueyun Investment Management	4,628,033.90	638,500.00

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)*

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

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB	
Accounts receivable (Continued)	Zhaoqing City Guang-He Expressway Company Limited	3,292,364.47	3,073,496.55	
	Guangdong MeiHe Expressway Company Limited	2,466,073.47	1,622,093.97	
	Guangzhou Xinyue Asphalt Company Limited	1,693,129.14	1,083,667.84	
	Guangdong Guangfozhao Expressway Company Limited	1,237,393.86	—	
	Guangdong Bo-Da Expressway Company Limited	700,753.58	174,619.38	
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	695,433.40	1,081,817.48	
	Express Cross-Border Coach Management Company Limited	678,192.81	896,946.84	
	Guangdong ZhaoYang Expressway Company Limited	593,895.66	126,672.08	
	Guangdong Luo-Yang Expressway Company Limited	589,231.14	8,965,723.03	
	Guangdong Guangzhu Expressway West Section Company Limited	109,867.04	109,867.04	
	Guangzhou Tianhe Coach Terminal Co., Ltd.	—	1,009,362.43	
	Others	5,593,301.10	2,830,568.85	
	Total		248,005,120.46	197,869,752.20

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)*

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

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Accounts payable	Guangzhou Xinyue Asphalt Company Limited	52,955,355.90	37,951,085.97
	Guangdong Province Freeway Company Limited	18,115,705.27	15,032,259.59
	Guangdong Xinyue Communications Investment Company Limited	8,593,833.49	7,425,435.49
	Guangdong Shanfen Expressway Company Limited	5,942,416.46	5,136,137.23
	Guangdong Yuedong Freeway Industry Development Company Limited	4,566,548.17	4,160,000.00
	Guangdong Yue-Gan Expressway Company Limited	4,304,045.37	261,176.38
	Guangdong Guangye Yueyun Natural Gas Company Limited	3,651,888.86	819,429.92
	Guangdong KaiYang Expressway Company Limited	3,463,750.32	1,004,029.29
	Guangdong Humen Bridge Company Limited	3,078,191.83	191,577.73
	Guang-Shen-Zhu Expressway Company Limited	2,374,349.99	7,163,555.12
	Guangdong Yun-Wu Expressway Company Limited	2,095,238.16	—
	Guangdong Province Changda Highway Engineering Company Limited	1,846,279.44	1,846,279.44
	Guangdong Western Shen-Shan Expressway Company Limited	1,787,323.14	5,312,970.13

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)*

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

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Accounts payable (Continued)	Guangdong Mao-Zhan Expressway Company Limited	1,562,478.17	207,244.77
	Guangdong Province Highway Construction Company Limited	1,413,617.24	—
	Guangfo Expressway Company Limited	1,393,778.00	1,592,502.95
	Guangdong Er-Guang Expressway Company Limited	1,367,319.30	193,524.47
	Guangdong Bo-Da Expressway Company Limited	1,259,553.01	441,009.45
	Guangdong Yu-Zhan Expressway Company Limited	1,178,155.79	14,325.43
	Dongguan Weisheng International Logistic Co., Ltd.	1,143,558.51	—
	Guangdong ZhaoYang Expressway Company Limited	1,060,625.23	2,191,893.45
	Guangdong Bao-Mao Expressway Company Limited	1,047,813.61	2,200,408.64
	Jingzhu Expressway Guangzhu Section Company Limited	899,800.00	—
	Guangdong Ping-Xing Expressway Company Limited	871,009.53	1,264,900.00
	Guangdong Jiangzhong Expressway Company Limited	824,264.17	500,895.93
	Guangdong Fo-Kai Expressway Company Limited	265,412.47	8,240,166.69
	Others	5,037,720.90	5,596,768.22
	Total	132,100,032.33	108,747,576.29

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)*

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

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Prepayments	Guangdong Province Road & Bridge Construction Development Company Limited	5,365,310.83	1,826,407.41
	Guangdong Guangle Expressway Company Limited	3,516,636.96	—
	Guangdong Province Highway Construction Company Limited	3,238,095.25	292,268.74
	Guangdong Chao-Hui Expressway Company Limited	2,580,515.82	—
	Guangdong Guangfozhao Expressway Company Limited	5,874,011.44	2,000,000.00
	Guangdong MeiHe Expressway Company Limited	1,737,057.17	178,200.00
	Guangdong Yang-Mao Expressway Company Limited	1,664,238.12	—
	Guangdong Bo-Da Expressway Company Limited	1,552,768.98	500,600.33
	Guangdong Guangzhu Expressway West Section Company Limited	5,804,563.62	2,948,658.95
	Others	3,201,675.13	2,739,347.16
	Total	34,534,873.32	10,485,482.59

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)*

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

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB	
Advances from customers	Guangdong Bao-Mao Expressway Company Limited	2,322,227.00	—	
	Guangdong Western Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	2,153,282.88	
	Guangdong ZhaoYang Expressway Company Limited	800,001.62	800,001.62	
	Guangdong Ninghua Expressway Company Limited	—	4,999,999.99	
	Guangdong Province Highway Construction Company Limited	3,349.58	2,856,143.81	
	Guangdong Province Freeway Company Limited	183,188.71	574,081.73	
	Others	909,783.84	1,097,682.89	
	Total	6,371,833.63	12,481,192.92	
	Other receivables	Guangdong Xinyue Communications Investment Company Limited	13,456,749.84	13,456,749.84
		Kee Kwan Motor Road Company Limited	12,894,769.03	13,243,983.28
Yangjiang Transportation		10,669,284.15	10,644,241.50	
Guangdong Chao-Shan Loop Expressway Company Limited		10,003,895.41	—	
Weisheng Transportation		9,495,137.33	11,495,552.44	
Guangdong Hui-Qing Expressway Company Limited		7,316,340.57	—	
Guangdong Province Changda Highway Engineering Company Limited		4,666,177.49	4,666,177.49	
Shantou City Automobile Passenger Traffic Center Co., Ltd.		4,389,389.47	4,226,668.79	
Yueyun Investment Management	2,399,907.20	2,318,495.68		

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)*

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

Caption	Related parties	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Other receivables (Continued)	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	1,771,050.63	1,752,957.48
	Guangdong Guangye Yueyun Natural Gas Co., Ltd.	1,709,782.53	1,000,000.00
	Kwong Fat Transport Company Limited	1,643,254.00	1,643,254.00
	Guangdong Guangzhu Expressway West Section Company Limited	1,508,300.00	1,542,000.00
	Kee Kwan Travel Tour Transportation Hong Kong Company Limited	1,467,812.01	1,467,812.01
	Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	1,436,468.99	1,081,223.65
	Guangdong Litong Properties Investment Company Limited	1,382,256.00	1,382,256.00
	Jiangmen Guangjiang Expressway Passenger Company Limited	1,239,000.00	1,239,000.00
	Guangdong Province Road & Bridge Construction Development Company Limited	1,166,250.04	3,723,000.04
	Guang-Shen-Zhu Expressway Company Limited	1,073,538.50	1,108,137.25
	Guangdong Mao-Zhan Expressway Company Limited	1,000,000.00	1,000,000.00
	Qingyuan Zhongguan Development Co., Ltd.	995,452.31	—
	Guangdong Province Gongbei Vehicles Transportation Company Limited	962,238.66	1,238,596.34
	Guangdong Province Freeway Company Limited	504,725.00	2,103,900.00
	Southern United Assets and Equity Exchange Company Limited	—	2,618,460.00
	Others	8,130,042.32	6,069,469.95
	Total	101,281,821.48	89,021,935.74

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)*

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

Caption	Related parties	As at	As at 31
		30 June 2017	December 2016
		RMB	RMB
Other payables	GCGC	4,594,611.50	3,276,037.48
	Guangdong Xinyue Communications Investment Company Limited	1,704,453.56	1,338,468.45
	Weisheng Transportation	710,917.15	710,917.15
	Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	584,775.83	—
	Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.	512,585.11	505,338.13
	Others	2,521,515.23	1,897,074.11
	Sub-total	10,628,858.38	7,727,835.32
Other payables – cash pool	Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	5,701,290.02	5,260,454.72
	Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	1,152,105.98	4,842,536.43
	Guangdong Province Bus Terminal Co., Ltd.	1,054,694.13	1,053,057.00
	Others	1,990.50	1,990.50
	Sub-total	7,910,080.63	11,158,038.65
Total		18,538,939.01	18,885,873.97

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)*

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

Caption	Related parties	As at	As at 31
		30 June 2017	December 2016
		RMB	RMB
Dividends payable	GCGC	69,625,151.29	—
	Guangdong Xinyue Communications Investment Company Limited	2,780,436.84	2,780,436.84
	Total	<u>72,405,588.13</u>	<u>2,780,436.84</u>
Other non-current assets	Guangdong Guangfozhao Expressway Company Limited	94,000,000.00	48,000,000.00
	Guangdong Guangzhu Expressway West Section Company Limited	83,925,636.67	86,167,034.97
	Guangzhou Tianhe Coach Terminal Co., Ltd.	9,600,000.00	9,600,000.00
	Total	<u>187,525,636.67</u>	<u>143,767,034.97</u>
Dividends receivable	Guangzhou Tianhe Coach Terminal Co., Ltd.	—	2,433,240.64

(p) Compensation for key management personnel

	For the six months ended 30 June	
	2017	2016
	RMB	RMB
Compensation for key management personnel	<u>3,915,688.09</u>	<u>3,512,340.47</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VII. COMMITMENTS

	As at 30 June 2017 RMB	As at 31 December 2016 RMB
Capital commitments that have been entered into but have not been recognized in the financial statements		
– Commitment for acquisition and construction of long-term assets	73,066,914.46	25,909,392.59
Capital commitments that have been approved but have not been entered into	13,065,483.83	257,348,873.00
Total	86,132,398.29	283,258,265.59