



# 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)



*Forging ahead*  
through Innovation and Development

ANNUAL REPORT  
**2017**

## COMPANY PROFILE

Guangdong Yueyun Transportation Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are integrated transportation and logistics service providers. 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.

Business of the Company is categorized as:

### Travel Service Segment :

- Road passenger transportation and auxiliary services
- Service zone operation
- Energy business
- Convenient store retail
- Automobile service business

### Modern Logistics Segment :

- Material logistics business<sup>(Note)</sup>
- Small parcel express delivery business

### Resource Development Segment :

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

*Note:* Following the disposal of Guangdong South China Logistics Enterprise Co., Ltd. (廣東南粵物流實業有限公司) (“**South China Logistics Enterprise**”) which engaged in material logistics business, as approved by the Shareholders of the Company at the extraordinary general meeting held on 19 March 2018, the material logistics business is no longer a major business of the Group.

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



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# COMPANY INFORMATION

## LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

## STOCK CODE

03399

## REGISTERED OFFICE

8th Floor  
No.1731-1735 Airport Road  
Baiyun District  
Guangzhou  
Guangdong Province  
People's Republic of China

## 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  
Guo Junfa

### Non-Executive Directors

Li Bin  
Chen Min

### Independent Non-Executive Directors

Gui Shouping  
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

Bank of China  
China Merchants Bank  
Industrial & Commercial Bank of China  
China CITIC Bank  
Agricultural Bank of China

## LEGAL ADVISER

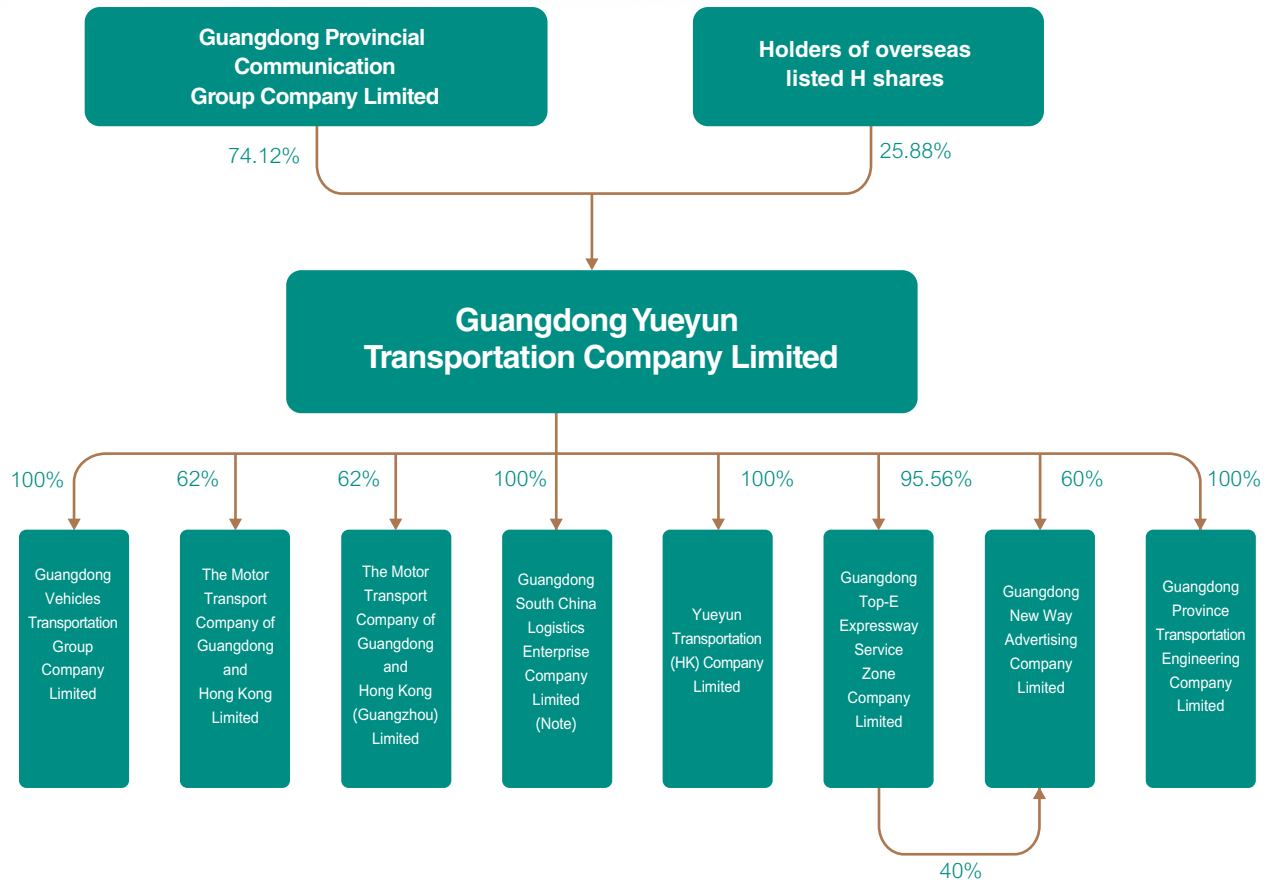
Paul Hastings  
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1 Garden Road  
Hong Kong

## 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

# COMPANY STRUCTURE

The Company Structure as at 31 December 2017:



*Note:* The asset swap agreement signed between the Company and Guangzhou Yueyun Investment Management Co., Ltd. (廣州粵運投資管理有限公司) (“**Yueyun Investment Management**”) was approved by the shareholders of the Company at the extraordinary general meeting held on 19 March 2018. Pursuant to the agreement, the Company transferred 100% equity interest in South China Logistics Enterprise to Yueyun Investment Management in exchange of an acquisition of 100% equity interest in Meizhou Yueyun Vehicles Transportation Co., Ltd. (梅州市粵運汽車運輸有限公司) (“**Meizhou Yueyun**”) from Yueyun Investment Management. Upon completion of the acquisition, South China Logistics Enterprise ceased to be a wholly-owned subsidiary of the Company, and Meizhou Yueyun became a wholly-owned subsidiary of the Company.

# FINANCIAL HIGHLIGHTS

	<b>31 December 2017 RMB'000</b>	31 December 2016 RMB'000 (Restated)	Change
<b>Results highlights</b>			
Operating income			
Travel service	<b>4,383,784</b>	4,016,826	9%
Modern logistic	<b>2,558,455</b>	3,026,369	(15%)
Resource development	<b>306,254</b>	278,176	10%
Total operating income	<b><u>7,248,493</u></b>	<u>7,321,371</u>	<u>(1%)</u>
Gross Profit			
Travel service	<b>907,077</b>	920,138	(1%)
Modern logistic	<b>231,602</b>	162,620	42%
Resource development	<b>210,803</b>	198,424	6%
Total gross profit	<b><u>1,349,482</u></b>	<u>1,281,182</u>	<u>5%</u>
Taxes and other surcharges	<b>(53,802)</b>	(61,122)	(12%)
Selling and administrative expenses	<b>(750,541)</b>	(761,488)	(1%)
Finance expenses	<b>(55,539)</b>	(48,046)	16%
Impairment losses on assets	<b>(12,775)</b>	(30,851)	(59%)
Investment income	<b>47,206</b>	26,616	77%
Other income	<b>170,900</b>	0	—
Gains from asset disposals	<b>258</b>	3,311	(92%)
Operating profit	<b><u>695,189</u></b>	409,602	70%
Non-operating income and expenses	<b>9,788</b>	197,779	(95%)
Total profit	<b><u>704,977</u></b>	607,381	16%
Income tax expenses	<b>(177,695)</b>	(149,542)	19%
Net profit	<b><u>527,282</u></b>	457,839	15%
Net profit attributable to shareholders of the parent company	<b>417,280</b>	335,154	25%
Profit and loss attributable to minority interests	<b>110,002</b>	122,685	(10%)
Basic earnings per share (RMB)	<b><u>0.52</u></b>	0.44	18%

	<b>31 December 2017 RMB'000</b>	31 December 2016 RMB'000 (Restated)	Change
<b>Results highlights</b>			
Total assets	<b>8,814,074</b>	7,695,152	15%
Total net assets	<b>3,593,416</b>	3,384,855	6%
Equity attributable to shareholders of the parent company	<b>2,391,645</b>	2,148,835	11%
Net assets per share attributable to owners of the Company (RMB)	<b>2.99</b>	2.83	11%
<b>Ratio</b>			
Gross profit margin (%)	<b>18.62%</b>	17.50%	6%
Interest coverage ratio (times)	<b>12.60</b>	11.79	7%
Gearing ratio (%)	<b>59.23%</b>	56.02%	6%
Current ratio (times)	<b>1.19</b>	1.24	(4%)

Gross profit margin = Gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

## MAJOR EVENTS

- In April 2017, the Company was awarded the “National May 1st Labor Certificate” by the All-China Federation of Trade Unions in recognition of the Company’s outstanding contribution to energy conservation, emission reduction and green development.
  - In August 2017, the two brands of “Yueyun Transportation” and “Loyee” owned by the Group were awarded the title of the “Best Self-owned Brand of Guangdong Province in 2017”. The appraisal was jointly organized by the Guangdong Provincial Enterprise Confederation and the Guangdong Provincial Association of Entrepreneurs.
  - In November 2017, at the final of the comprehensive transportation service big data themed competition of China (Xiaoguwei) “Internet + Transportation” Innovation and Entrepreneurship Competition, each of the participating entries of the Company, its subsidiaries, Guangdong Yueyun Langri Co., Ltd. (“**Yueyun Langri**”) and Guangdong Top-E Expressway Service Zone Company Limited (“**Guangdong Top-E**”), won the recognition award at the relevant themed competition. The participating entry of its subsidiary, Shaoguan Libao Technology Co., Ltd., won the Excellent Project Award and the Most Popular Award at the relevant themed competition. China (Xiaoguwei) “Internet + Transportation” Innovation and Entrepreneurship Competition has been held for three consecutive years and was jointly organized by Guangdong Provincial Department of Transportation, China Communications News, China Academy of Transportation Sciences, China Transport Telecommunications & Information Center, GCGC and the People’s Government of Panyu District, Guangzhou.
  - In December 2017, the Company was selected as the “Best Employer Enterprise of Guangdong Province in 2017” by the Guangdong Provincial Enterprise Confederation.
  - In December 2017, as the only business representative invited to attend the “First International Transportation Safety Exposition (首屆國際交通運輸安全博覽會)” co-sponsored by the State Administration of Work Safety and the Ministry of Transport, Mr. Xuan Zongmin, the chairman of the Company, shared the experience of transportation enterprise safety management on the thematic forum of the expo.
  - In December 2017, the Company and Yueyun Investment Management entered into an asset swap agreement, pursuant to which the Company sold 100% equity interests in South China Logistics Enterprise to Yueyun Investment Management and acquired 100% equity interests in Meizhou Yueyun from Yueyun Investment Management. The asset swap agreement and transactions contemplated under the asset swap agreement was approved by the Shareholders at the extraordinary general meeting held on 19 March 2018. Upon completion of the asset swap, South China Logistics Enterprise ceased to be a subsidiary of the Company, and Meizhou Yueyun became a wholly-owned subsidiary of the Company.
- ### Road Passenger Transportation and Auxiliary Services
- In June 2017, the Company was ranked No. 2 (ranked No. 3 in 2016) 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))” issued by the China Road Transport Association; while subsidiaries of the Company, Qingyuan City Yueyun Vehicles Transportation Co., Ltd. (清遠市粵運汽車運輸有限公司) (“**Qingyuan Yueyun**”), Zhaoqing Yueyun Vehicles Transportation Co., Ltd. (肇慶市粵運汽車運輸有限公司) (“**Zhaoqing Yueyun**”) and Shaoguan Yueyun Vehicles Transportation Co., Ltd. (韶關市粵運汽車運輸有限公司), ranked no.51, No. 87 and No. 89 respectively.
  - In July 2017, Zhaoqing Yueyun was awarded the title of “Exemplary Transportation Enterprise for Energy Saving and Emission Reduction (2017) (交通運輸節能減排示範企業 (2017年度))” by the China Association of Communications Enterprise Management.



- In August 2017, the consortium formed by the Group's two associated companies, Zhuhai Yuegongxin Marine Shipping Limited Liability Company and Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd., together with Hong Kong-Zhuhai-Macao Land Transportation (Macao) Joint Stock Limited Company was identified as winning bidder of the Hong Kong-Zhuhai-Macao Bridge port shuttle bus operator project and became the only operator of shuttle bus services for the Hong Kong-Zhuhai-Macao Bridge port. The public tender for the project was jointly conducted by Guangdong Provincial Department of Transportation, Hong Kong Transport Department and Macau Transport Bureau.
- In August 2017, Yueyun Langri and Yueyun Investment Management entered into an equity transaction contract in respect of the acquisition of 100% equity interests in Guangdong Yangjiang Vehicles Transportation Group Company Limited ("**Yangjiang Transportation**").

#### **Service Zone Operation**

- In November 2017, as evaluated by the "Top 100 Exemplary Service Zones for 2017 in China" field assessment conducted by the Highway Bureau of the Ministry of Transport in conjunction with China Highway and Transportation Society, the Group's three service zones, Kuidong, Yayao and Shunde, were awarded the title of "Top 100 Service Zones in China". In 2015, the two service zones of Kuidong and Yayao were also awarded "Top 100 Exemplary Service Zones in China". Meanwhile, there were also 15 service zones such as Reshui, Liangjinshan, Shaxi and Wayaogang which were awarded the title of "Excellent Service Zones in China" for 2017.
- In December 2017, Guangdong Top-E obtained the overall entrusted operation and management right in respect of the commercial facilities in the service zone of the expressway open to traffic in 2017 held by Guangdong Nanyue Communication Construction and Investment Co., Ltd. (廣東南粵交通建設投資有限公司) ("**Nanyue Communication Investment**").
- In December 2017, the expansion of the Dahuai Service Zone on the Kaiping-Yangjiang Expressway was officially initiated. With respect to the expansion of the Dahuai Service Zone, it was the first time to adopt the business model of the Group acquiring land on its own and then leading service zone planning, investment and commercial development.

### Energy Business

- In November 2017, the Group obtained the right to operate the Huanggang Gas Station on the Guangzhou-Shenzhen Expressway.
- In December 2017, the oil and gas station in the Hengshishui Service Zone on the Beijing-Hong Kong-Macao Expressway was put into operation. The oil and gas station is an energy service site incorporating oil refueling, gas refueling (liquefied natural gas) and charging, which has filled the gap of the Group in clean energy gas refueling stations. Zhongyou Top-E Energy Trading Company Limited, which was established by Guangdong Top-E and PetroChina Guangdong Branch, with each of them contributing 50% of its capital, is responsible for project construction and operation of the oil and gas station.
- In December 2017, the “Yueyun Energy” gas station in the Shachong Service Zone on the Guangzhou-Foshan Expressway was officially opened. The gas station is the first gas station recovered by the Group for self-operation.

### Convenience Store Retail

- In December 2017, the Group held the opening ceremony for 400 convenience stores. Relying on the superimposed upgrading of the Group’s business segments, “Loyee” convenience stores will become service entities incorporating diversified comprehensive services such as passenger transportation ticketing, car rental, small parcel express delivery, tourism product sales and experience.
- In December 2017, the Group’s first city “Loyee” convenience store was officially opened in Yueyun Building, Guangzhou.

### Automobile Service Business

- In November 2017, Yueyun Langri was awarded the title of “Trustworthy Enterprise in the Automotive Maintenance and Repair Industry of China for 2015 to 2016” by China Automotive Maintenance and Repair Trade Association.
- In December 2017, Guangdong Yueyun Traffic Rescue Co., Ltd. (“**Yueyun Rescue**”), obtained the vehicle rescue service business of the four expressway road sections, Renxin, Longlian, Chaozhang and Jiehui, which were newly open to traffic in 2017, held by Nanyue Communication Investment.

**Material Logistics Business**

- In April 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the procurement of asphalt (CL-LQ1 tender) for work in Renhua-Xinfeng Section of Renhua (Hunan-Guangdong boundary) to Boluo Highway in Guangdong Province, with a tender amount of approximately RMB150.94 million.
- In April 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the procurement of asphalt (CL-LQ1 tender) for work in Yunfu-Zhanjiang Section of the Shan(tou)-Zhan(jiang) Expressway and the extension project (Xinxing-Yangchun Section), with a tender amount of approximately RMB168.74 million.
- In April 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the procurement of asphalt (CL-LQ2 tender) for work in Yunfu-Zhanjiang Section of the Shan(tou)-Zhan(jiang) Expressway and the extension project (Yangchun-Huazhou Section), with a tender amount of approximately RMB133.44 million.
- In April 2017, the Company won the tender in respect of the material supply business for the first batch material procurement of steel bars (CL-2 tender phase) for work in the project of Shijing, Guangzhou-Dawang, Zhaoqing Section (Guangzhou Section) of the Guangzhou-Foshan-Zhaoqing Expressway, with a tender amount of approximately RMB239.04 million.
- In May 2017, the Company won the tender in respect of the material supply business for the material procurement of steel bars (2 tender) for work in the project of Chaozhou-Shantou Ring Expressway (including the Chaozhou-Shantou Linking-up Road), with a tender amount of approximately RMB800.39 million.
- In April 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the material procurement (second tender) of steel bars (2 tender) for work in the project of Huizhou-Qingyuan Section of the Shan(tou)-Zhan(jiang) Expressway, with a tender amount of approximately RMB531.63 million.
- In April 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the supply (second tender) of cement (CL-SN1 tender phase) for work in the Donghaidao, Zhanjiang-Leizhou Expressway project, with a tender amount of approximately RMB173.26 million.
- In May 2017, South China Logistics Enterprise won the tender in respect of the material supply business for steel procurement (B) bidding steel bar GZ01 packages in the Guangzhou region of Shenzhen Company for 2017 of China Railway Material Trade, with a tender amount of approximately RMB1,258.73 million.
- In May 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the asphalt centralized procurement project (HBJT-LQ-2 tender) for 2017 of Hubei Provincial Communications Investment Logistics Group Co., Ltd., with a tender amount of approximately RMB19.72 million.
- In June 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the first batch material procurement of steel bars (CL03 tender) for work in the engineering project of the north section of the Second Expressway of the new Baiyun International Airport in Guangzhou, with a tender amount of approximately RMB530.97 million.

### Material Logistics Business (Continued)

- In November 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the self-purchased material centralized procurement (second tender) of steel (GC02 tender) of the manager department for work in the civil engineering (3 tender) project of the west extended Shunde Section of the phase 1 works of Route No.7 of the rail transit in Guangzhou of China Railway 11 Bureau Group, with a tender amount of approximately RMB37.2 million.
- In November 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the asphalt procurement tender project of the project of the Longchuan-Huaiji Highway (Lianping-Yingde Section) in Guangdong Province, with a tender amount of approximately RMB149.38 million.
- In November 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the asphalt procurement tender project (CL-LQ6 tender) of the project of the Longchuan-Huaiji Highway (Yingde-Huaiji Section) in Guangdong Province, with a tender amount of approximately RMB84.37 million.
- In December 2017, South China Logistics Enterprise won the tender in respect of the material supply business for the asphalt procurement tender project (CL-LQ4 tender) of Xinfeng-Boluo Section of Renhua (Hunan-Guangdong boundary) to Boluo Highway in Guangdong Province, with a tender amount of approximately RMB141.38 million.

### Advertising Media Business

- In July 2017, Guangdong New Way Advertising Company Limited (now renamed as “Guangdong Highway Media Co., Ltd. (廣東高速傳媒有限公司)”) (“**Highway Media**”), a subsidiary of the Company, was awarded the title of “5th China Expressway Advertising Top 10 Enterprises (2017-2018) (第五屆中國高速公路廣告十強企業 (2017-2018))” by China Highway and Transportation Society.

# INVESTMENT VALUE OF THE COMPANY

## TRAVEL SERVICE SEGMENT

### Road Passenger Transportation and Auxiliary Services (Road Passenger Transportation, Terminal Operation)

- Has a complete road transportation business system and rank first in terms of market share within Guangdong Province
- Has been ranked among the Top 100 Trustworthy Road Transportation Enterprises in China (全國道路運輸百強誠信企業) for many years
- Its well-known brand of “Yueyun Express” is a well-known road passenger transportation service brand with strong competitiveness in the industry
- Mature model of “Acquisition-Consolidation-Growth” and the obvious synergies following the consolidation of the enterprises acquired
- Will continue to expand market space in the eastern and western regions of Guangdong in the future
- Initiatives such as reclaiming advantageous routes for self-operation, “exploring the downstream market” and commercial development of terminal services brought incremental business
- “Transportation + Tourism”, provide customized travel products through the Internet platform and building passenger transportation terminals into entities providing multi-functional integrated comprehensive services such as tourism, travel and commerce

### Service Zone Operation (Service Zone Operation, Key Service Zone Development)

- Operate the largest number of expressway service zones in Guangdong Province (210) and enjoy network and scale advantages relying on the huge expressway traffic in Guangdong Province
- Develop large-scale integrated commercial projects in key service zones, thereby enhancing the value of commercial real estate in the service zones

### Energy Business (Refined Oil Retail, LNG Filling Stations, Charging Piles)

- Expand and strengthen the service zone gas station business by combining a variety of business models such as self-ownership and self-operation and franchise awarding to gradually form the sales network of Yueyun Energy gas stations
- Enhance business collaboration, “Yueyun Energy” procures and supplies oil for the passenger transportation business of the Group on a centralized basis to reduce fuel costs of the passenger transportation business and increase the market share of “Yueyun Energy”

### Convenience Store Retail

- 210 expressway service zones and more than 80 passenger transportation terminal resources, enjoying advantages in network and scale
- Well-known expressway service zone convenience store brand of “Loyee”
- Build a retail chain network covering the whole Guangdong Province
- Enhance business collaboration and provide an interface for the Group’s logistics distribution, car rental and ticketing businesses

## MODERN LOGISTICS SEGMENT

### Small Parcel Express Delivery Business

- Make use of the existing passenger station, passenger bus and other resources covering the whole Guangdong Province, many routes with high frequency
- Inter-provincial, inter-city and inter-county routes and rural passenger transportation, wide distribution of stations
- Expand rural logistics and rural e-commerce through the Internet

## RESOURCE DEVELOPMENT SEGMENT

### Operation of Taiping Interchange Assets

- Has significant location advantages, with a large annual traffic volume. The flow of cash from the expressway toll collection business is fast

### Advertising Media Business

- Coordinate and integrate expressway and passenger station advertising resources, covering more than 50 expressways, 210 expressway service zones and more than 80 passenger station resources, and enjoy network and scale advantages
- Transform into a transport system integrated media resource platform operator

### Development of Self-owned Land

- Promote the completion of the development of the “Three Olds” redevelopment and real estate project on the land parcel held by the Group in the downtown of Guangzhou City to achieve the appreciation of self-owned land
- Carry out comprehensive commercial upgrading of stations which are located in downtown areas for further explore its commercial value

## CHAIRMAN'S STATEMENT



In 2017, the resilience of the PRC economy surpassed market expectation and stability was realized throughout the year, with greater contributions from the real estate, exports and manufacturing sectors. The PRC economy was transforming from a high growth stage to a high quality development stage, structure of industries was optimized and upgrading in consumption continued. Financial regulation, austerity measures in the real estate sector and supply side structural reforms were the three major themes throughout the year to achieve the government's objectives of risk prevention, suppression of asset bubbles and elimination of oversupply in production capacity.

2018 will be a critical year for the top-down process to implement the "13th Five-Year Plan" by the PRC government, supply-side structural reform will remain as the main theme to drive the reforms in quality, efficiency and motivation continuously. The active fiscal orientation will remain unchanged, with focus on adjusting and optimizing the structure of income and expenditure, and strengthening the management of local debts. The monetary policy will be steady and neutral, allowing reasonable growth in credit and loan facilities and private-sector financing. The exchange rate will be stable basically at a reasonable equilibrium level, and the healthy development of a multi-level capital market will be promoted. Meanwhile, the PRC government will also face the challenges from three major tasks, including prevention and elimination of significant risks, poverty alleviation for specific targets, and prevention and control of pollution.

In 2018, the Company will benefit from a spectrum of favorable effects arising the development of the Guangdong, Hong Kong and Macau Bay Area, the reforms of State-owned enterprises in Guangdong Province and the development of the transport industry in Guangdong Province. By following the “13<sup>th</sup> Five-Year Strategic Development Plan” as guidance for actions, the Group will focus on the principal business of the travel service segment. Expansion of the “Yueyun Energy” gas stations and the “Yueyun Loyee” convenience store network will continue to generate new momentum for development, the commercial operation and development mode of service zones will be further optimized and upgraded, the operation capacity of small parcel express delivery will be further enhanced. The development of intelligent transportation (智慧交通) will be promoted actively with accelerated construction of intelligent terminals and more effective and precise marketing capability in internet ticketing. The Group will continue to drive capital operations with active efforts to facilitate the Company to return to A shares, explore new development mode for cooperation between industry and financing, accelerate the pace of corporate transformation and upgrading with full efforts, strive to create a travel service ecosystem for realizing innovative development and making sound and steady progress.

Significant investments and key business developments of the Group in 2018 are as follows:

### TRAVEL SERVICE SEGMENT

According to the strategy of “Acquisition – Consolidation – Growth”, the Group will focus on facilitating the acquisition of transportation resources in the regions of Zhanjiang and Maoming, and will actively seek potential cooperation opportunities with transportation companies in other regions. We will continue to put more efforts on the reclamation of contracted vehicles for self-operation, and to expand the size of the passenger land transportation network to increase our market share.

The Group will actively invest in the construction of an integrated traffic and transport network system in the Guangdong, Hong Kong and Macau Bay Area and participate in the shuttle bus service operation at the Hong Kong — Zhuhai — Macau Bridge boundary crossing to accelerate the development layout of the cross-border travel service business.

By adhering to the development mode of acquisition at low level and targets at low level, the Group will encourage local transportation enterprises to acquire and consolidate land transport resources within the local region to accelerate the integrated development of public transport in city and rural areas, dedicate great efforts to develop passenger market in rural areas and reinforce profit growth based on inter-city passenger transport, public transport in cities and passenger transport in rural areas.

The mode of passenger transportation service will be optimized, active attempts on new business models such as self-organized customers, customized scheduled service, joint transportation and joint passenger services will be made to enhance customers' experience by providing differentiated products and services. The formation of the new business model of “Transport + Tourism” will be accelerated by optimizing the online platform for transport and tourism business, establishing offline gathering and distribution centers for travelers and flexibly designing and developing combined products of tourism and transport.



The branding strategy of “Yueyun Energy” will be actively promoted, the construction, investment and operation of “Yueyun Energy” gas stations in Dahuai and Jinzao service zones will be accelerated, and recovery of gas stations in service zones upon expiration of operating period will continue. Efforts will be made to acquire more resources of gas stations in cities to gradually expand the sales network of Yueyun gas stations. More efforts will be focused on enhancing operational management, marketing and brand promotion, internal control and management capabilities of gas stations.

“Yueyun Loyee” convenience stores will be further expanded in expressway service zones and Yueyun terminals and the size of convenience store network will continue to increase. A joint venture company will be formed with Xinhua Fenghui (新華峰匯) based on complementary strengths, which will gradually explore transformation and development opportunities in communities and cities. The percentage of direct supplies from merchandise manufacturers will be increased and procurement costs will be reduced. The supply chain management model will be optimized, distribution and delivery efficiency will be enhanced to further increase the value of the convenience store business.

Breakthrough in the mode of commercial development in innovative service zones will be pursued to accelerate the “Qiaoxiang Township”(僑鄉小鎮) thematic expansion project in Dahuai carpark zone. The commercial upgrading and reconstruction projects in the four service zones of Lixi, Dianbai, Baisha and Langwang will be actively proceeded, and the service zones will be transformed into an open transportation commercial complex integrating the functions of logistics distribution and delivery, commercial and trade services, tourism services, leisure and entertainment, and transportation hub under one roof.

## MODERN LOGISTICS SEGMENT

The Group will continue to complete materials supply management for projects under construction and projects won by tenders. Warehousing, distribution and delivery business for convenience stores, vehicle accessories and petroleum products will be gradually commenced. The asset swap of equity interests between South China Logistics Enterprise and Meizhou Yueyun Vehicles Transportation Company Limited will be duly completed.

The Company continues to nurture the “FLY-E Bus Express”(網上飛巴士速遞) business, actively facilitates the development of large-scale networks, promotes the joining of other passenger transportation stations within Guangdong Province, makes efforts to promote business scale growth, strengthens the construction of the collection and delivery system at both ends of the platform to enhance customer experience, and gradually builds warehousing, allocation, distribution and other business capabilities through cooperation, leasing, self-construction and other forms. The Group is committed to building “Internet + Business Flow” FLY-E companies into leading enterprises in the “cross-city same day reach (跨城當日達)” market segment.

The Group will complete actively looking for opportunities to participate in logistics park projects, actively drive the self-construction or acquisition of well-established large-scale logistics parks and accelerate the development and construction of logistics platforms.

## RESOURCE DEVELOPMENT SEGMENT

The Group will ensure the safe operation of assets at the Taiping Interchange, and will select the most appropriate timing for carrying out maintenance and repairs to secure steady growth in toll revenue in a more secure and long-term manner.

By increasing the percentage of direct operation of advertising resources and reducing the vacancy ratio as key measures, the capabilities of resource development, marketing channels development, preparing customized and accurate communication plans and platform operation will be built up actively to maximize the value of advertising resources.

The Group will further streamline and formulate the mechanism to develop existing land bank, increase the land utilization efficiency and enhance the benefits from integrated development of land parcels. Meanwhile, efforts will concentrate on the acquisition of additional land resources in key developing service zones and logistics parks. The airport road project has been included in the annual key progress projects of the "Three Olds" reconstructions in Baiyun District of Guangzhou. The Group will actively facilitate the design of the project development commercial model and commence preliminary tenant solicitation for the project. The key progress will be on the real estate development project at the Old Yangxi Station, actively promoting work relating to inviting tenders and reporting the construction project for approval and commencing project construction as soon as possible, with a view to create a sample for the Company's real estate development project.

The Group will use its own funds and bank borrowings for the funding required for the material investments and business development in 2018.

**Xuan Zongmin**

*Chairman*

Guangzhou, PRC

21 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## BUSINESS REVIEW

In 2017, the Group followed the “13th Five-Year Strategic Development Plan” as guidance for actions and focused on the principal business of travel service; “Yueyun Energy” gas stations and “Yueyun Loyee” convenience store network were expanded into new engines of operation and development of the Company, optimization and upgrading of the mode of business operation and development of service zones achieved material breakthrough, while the integration of small parcel express delivery and passenger transportation business deepened. Transformation and upgrading of passenger transportation were realized by leveraging on intelligent transportation, construction of intelligent terminals was accelerated and the growth of internet ticketing business was optimistic. The Group also highly emphasized on capital operations and exerted active efforts to facilitate the Company’s return to the A shares market, explored new development mode driven by the twin wheels of “industry + capital” and accelerated the pace of corporate transformation and upgrading with full force. All business segments continued to maintain steady growth in 2017, the Group strived to create a business model for O2O travel service integrated platform, endeavoring to realize innovative development and steady advancement.

## Travel Service Segment

### 1. Road passenger transportation and auxiliary services

	2017	2016	Change (%)
<b>Licenses for passenger transportation routes</b>	<b>3,822</b>	3,775	1.25%
<b>Passenger transportation routes</b>	<b>1,622</b>	1,461	11.02%
<b>Operating vehicles</b>	<b>8,540</b>	7,820	9.21%
Of which: Routes vehicles	<b>2,875</b>	2,942	-2.28%
Urban-rural buses integration	<b>4,651</b>	3,808	22.14%
Taxis	<b>708</b>	837	-15.41%
Others (charter coach)	<b>306</b>	233	31.33%
<b>Self-operated vehicles</b>	<b>6,360</b>	5,102	24.66%
Of which: Routes vehicles	<b>1,823</b>	1,652	10.35%
Urban-rural buses integration	<b>4,204</b>	3,234	29.99%
Taxis	<b>100</b>	47	112.77%
Others (charter coach)	<b>233</b>	169	37.87%
<b>New energy vehicles</b>	<b>1,756</b>	818	114.67%
<b>Number of passenger transported on a self-operation basis (0’000)</b>	<b>5,260.61</b>	5,211.84	0.94%
<b>Proportion of self-operated vehicles (%)</b>	<b>74.35%</b>	65.40%	8.95%
<b>“Transportation + tourism” business</b>			
Of which: “transportation + tourism” routes tour dispatch centre	<b>93</b>	16	481.25%
	<b>20</b>	0	—

	2017	2016	Change (%)
<b>Intelligent transportation (except for cross-border)</b>			
Number of active followers (buying tickets more than one time) on Yueyun WeChat ticketing platform (0'000)	<b>151.15</b>	81.07	86.45%
Tickets sold on Yueyun WeChat ticketing platform (0'000)	<b>167.11</b>	89.34	87.05%
Value of tickets sold on Yueyun WeChat ticketing platform (RMB 0'000)	<b>12,020.83</b>	6,139.67	95.79%

According to the strategy of “Acquisition — Consolidation — Growth”, on one hand, the Group focused on the acquisition of transportation resources in Zhanjiang and Maoming regions, while on the other hand, by following the development mode of “acquisition at low level”, the Group encouraged the regional transportation subsidiaries to acquire and consolidate road transportation resources within local regions to increase the regional market share of the Group. In particular, Zhaoqing Yueyun Vehicles Transportation Co., Ltd. (肇慶市粵運汽車運輸有限公司) completed the acquisition of Huaiji County Yueyun Urban and Rural Public Transportation Co., Ltd. (懷集縣粵運城鄉公共交通有限公司). Qingyuan Yueyun Vehicles Transportation Co., Ltd. (清遠市粵運汽車運輸有限公司) completed the acquisition of Yangshan County Shuntong Transportation Service Co., Ltd. (陽山縣順通運輸服務有限公司).

In making continuous progress to reclaim contracted vehicles for self-operation and further improving the size of road passenger transportation network, the Group reclaim an aggregate of 203 vehicles for self-operation in 2017, of which 38 vehicles were for rural passenger transportation. By adhering to the development mode of “exploring the downstream market”, integrated development between urban and rural public transportation services was accelerated, and strong efforts were dedicated to develop the rural passenger transportation market, of which the business mode of integrated rural passenger transportation in Yangxi County showed initial results and was replicated rapidly within the Group.

Through active participation in the construction of the integrated traffic and transportation network system in the Guangdong, Hong Kong and Macau Bay Area, accelerating the development of cross-border travel service business, and developing cross-border joint routes and joint transportation services in Leliu and Yayao service zones, the new business model of “cross-border + domestic transportation” has been realized and generated certain benefits.

The new model for passenger transportation business was explored and optimized constantly by centering on passenger demand, and customers' experience was enhanced by providing differentiated products and services such as through personalized and customized services; through adopting and building online tourist travel business platform, establishing offline tourist gathering and distribution centres and flexibly designing and developing combined products of tourism and travelling, the O2O business model of “transportation + tourism” was successfully explored and realized.

The transformation and upgrading of intelligent traffic achieved remarkable results and the online ticketing business grew significantly on a year-on-year basis. The WeChat Public Platforms 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. In 2017, the Yueyun Transport WeChat had 1,510,000 active users and recorded a total of 1,670,000 tickets sold which generated more than RMB120 million.

## 2. Service Zone Operation

Operated service zones in 2017	Operated service zones in 2016	Increase
210	199	11

The Group has made a breakthrough in innovating the mode of commercial development for service zones at the “Qiaoxiang Township”(侨乡小镇) thematic expansion project in Dahuai carpark zone, by changing from the sole operation mode of the Group accepting the expressway owner’s entrustment to provide operational management for service zones in the past to the mode of operation where the Group will take charge in planning, proprietary investment, construction and commercial development. In 2017, upgrading and reconstruction in 4 pairs of service zones, namely, Leliu, Shiba, Antang and Shaxi, were completed, endeavoring to turn the service zones into an open transportation commercial complex integrating the functions of logistics and distribution, commerce and trade services, tourism service, leisure and entertainment and transportation hub.

## 3. Energy Business

	2017	2016	Increase
Operated gas stations	162	154	8
Self-operated gas stations	20	14	6

The Group highly valued the brand building of “Yueyun Energy”(粤运能源) and considered refined management to be highly important, efforts were dedicated to enhance the operational management of gas stations, marketing, brand promotions, and internal control management capabilities. In 2017, the Group has completed the construction and operation commencement of 4 “Yueyun Energy” gas stations in new service zones and the recovery of 2 gas stations from service zones upon expiry of operation term and has gradually expanded the sales network of Yueyun gas stations. By reinforcing business synergy, the supply of petroleum by “Yueyun Energy” to passenger transportation enterprises under the Group was realized, and further reduced fuel costs.

4. *Convenience Store Retail*

	<b>2017</b>	2016	Increase
Operated convenience stores	<b>434</b>	302	132
Operated convenience stores in Service zones (including gas stations)	<b>271</b>	184	87
Operated convenience stores in Passenger terminals	<b>163</b>	118	45

Benefitted from the favorable impact of state-owned enterprise reforms in Guangdong Province, the “Yueyun Loyee” convenience stores continued to focus on their expansion in expressway service zones and Yueyun terminals and an initial network of considerable scale has been formed. In-depth collaboration between convenience store retail business and passenger transportation business was realized successfully, and “4 in 1” integrated convenience store that combines passenger transportation ticketing, small parcel express delivery, retail and tourists gathering and distribution center. The Group formed a professional joint venture company with Guangdong Sun Wah Feng Hui Commercial Management Limited (廣東新華峰匯商業管理有限公司) based on complementary strengths, which will gradually explore transformation and development opportunities in communities and cities to further enhance the branding promotion of Loyee convenience stores. The percentage of direct supplies from merchandise manufacturers will be increased and procurement costs will be reduced. The supply chain management model will be optimized, distribution and delivery efficiency will be enhanced to further increase the value of the convenience store business.

5. *Automobile Service Business*

The Group provided expressway services of 4,565 km in total mileage in 2017, representing a year-on-year increase of 596 km. By optimizing the establishment of residence points, the rescue business has improved the online and offline vehicle rescue service system for expressways, the rate of timely arrival was 88.38% and the rate of timely removal of obstruction was 96.72%. The Group is dedicated in nurturing automobile after-sales service business by focusing on the needs of travel vehicles and leveraging on the branding advantages of Yueyun, and using road rescue business as the foundation, upstream and downstream expansion along the industrial chain will gradually cover services such as driver training, hiring and sales of automobiles, automobile repairs and maintenance services, and insurance, which will further enhance the travel service integrated platform.

## Modern Logistics Segment

### 1. Material Logistics Business

	2017	2016	Change (%)
Projects under construction with materials supply	<b>25</b>	26	-3.85%
Of which: Projects with parties other than GCGC	<b>21</b>	16	31.25%
Projects with GCGC	<b>4</b>	10	-60.00%
Newly awarded projects	<b>14</b>	12	16.67%
Supply of materials for projects with parties other than GCGC (0'000 tons)			
Of which: Steel	<b>36.47</b>	30.54	19.42%
Asphalt	<b>13.97</b>	2.26	518.14%
Cement	<b>52.97</b>	51.02	3.82%
Supply of materials for projects with GCGC (0'000 tons)			
Of which: Steel	<b>6.29</b>	26.17	-75.96%
Asphalt	<b>0.07</b>	21.09	-99.67%
Cement	<b>7.79</b>	162.46	-95.20%
Asphalt warehousing and pier			
Of which: Asphalt vessels docked	<b>39</b>	41	-4.88%
Inbound asphalt (0'000 tons)	<b>19.00</b>	19.90	-4.52%
Outbound asphalt (0'000 tons)	<b>18.49</b>	21.19	-12.74%

Strong efforts were dedicated to nurture competitiveness in bidding tenders in the materials market, to enhance procurement and sales capabilities, and to enhance branding advantages constantly. Subject to controllable risks, efforts were increased to expand the market for materials such as asphalt, steel and cement. Construction of the steel warehousing center at the steel end-user sales platform that centered on Dongguan Jiafu Pier (東莞佳富碼頭) will be accelerated to further realize the establishment of Dongguan Jiafu Pier to be an integrated logistics port with warehousing, distribution and processing services. Since revenue from material logistics operation experienced volatile fluctuations, low gross profit margin and relatively high operational risk, the Group entered into an asset swap agreement with Yueyun Investment Management in December 2017 to dispose of the equity interests in South China Logistics Enterprise which engaged principally in material logistics business in exchange for an equity interest in Meizhou Yueyun which engaged principally in Road passenger transportation service. The asset swap agreement and transactions contemplated under the asset swap agreement has been approved at the extraordinary general meeting held on 19 March 2018.

## 2. Small Parcel Express Delivery Business

The Group has basically achieved the coverage of all cities in Guangdong Province by stations of the “FLY-E Bus Express (網上飛巴士速遞)” business and fully utilized the platform system to connect to the Internet while forming a unified price mechanism across the entire network, unified settlement, unified and normative service standards and management system to further enhance platform fine management standards, effectively enhance platform operational efficiency and optimize customer experience. The Group values brand building and actively enhances brand awareness through interactive activities in diversified forms on the online official micro-blog and investment in offline passenger transportation vehicle advertising. While accumulating experience in the e-commerce business of fresh products with third party platforms, the Group completed setting up its own shopping mall which was mainly for selling agricultural products in Guangdong province. In 2017, the small parcel express delivery platform recorded 1,532,600 pieces of freight bills with an operating income of RMB58.1497 million.

## Resource Development Segment

### 1. Operation of Taiping Interchange Assets

The Group will ensure the safe operation of assets at the Taiping Interchange to secure steady growth in toll revenue effectively. In 2017, due to the organic growth of traffic volume and the increase in toll revenue from cargo trucks after the implementation of new standards for overloading and prescribed limits on cargo trucks, the total vehicle traffic flow in circulation increased by 9.93% year-on-year.

### 2. Advertising Media Business

	2017	2016	Change (%)
Expressway media (outdoor columns, cross-line bridges, gantries and etc.)	<b>480</b>	430	11.63%
Of which: Rate of direct operation (%)	<b>12.64%</b>	14.00%	-1.36%
The vacancy rate (%)	<b>18.00%</b>	19.00%	-1.00%
Business from digital media	<b>254</b>	209	21.53%
Of which: LCD display screens	<b>253</b>	208	21.63%
LED display screens	<b>1</b>	1	0.00%
Highway sections covered by expressway media	<b>55</b>	53	3.77%
Developed outdoor media resources	<b>480</b>	430	11.63%
Of which: Outdoor columns	<b>393</b>	375	4.80%
Gantries ads facilities	<b>4</b>	3	33.33%
Cross-line bridge ads facilities	<b>5</b>	5	0.00%
Billboards at toll square	<b>47</b>	27	74.07%
Billboards on the roof of toll stations	<b>18</b>	12	50.00%
Billboards at service zone	<b>6</b>	6	0.00%
Billboards on the roof of service zone	<b>2</b>	2	0.00%



The Group actively facilitated Highway Media (高速傳媒), a subsidiary of the Company, to transform and upgrade from traditional outdoor self-owned advertising media agencies to operators of integrated media resources platform in transportation system. In 2017, the vacancy rate of advertising resources decreased, the Group has dedicated efforts to enhance the development capabilities of resources and marketing channels, formulation capabilities of precise communication plans and capabilities to operate platforms, which enhanced the profitability of the advertising business.

### 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 has met the planning requirements of the project in respect of the use of land. It has been incorporated into the annual implementation plan of “Three Olds” redevelopment in 2017 and has been listed in the annual key promotion projects of the government of Baiyun District of Guangzhou. The Group is proceeding with the preliminary work such as internal and external approvals of the project as planned.

The Group focuses on promoting the progress of the old Yangxi Station property development project and has completed the preparation of the detailed construction plan and the environmental impact assessment report in 2017, both of which had passed the reviews of government authorities. At the same time, the Group has completed the pre-development tasks for various projects such as the tendering procedures for entrusted development and management services, the demolition of the old passenger transportation station and obtaining 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. For this project, this parcel of land will be developed at the plot ratio of 2.14, the building density of 29.70% and the green space rate of 30.05%. The project comprises of two nine-floor buildings and two 16-floor buildings with a total gross floor area of 24,150.76 square meters, a gross floor area for residential purpose of 16,930.93 square meters and a gross floor area for podiums and commercial purposes of 2,997.55 square meters.

Meanwhile, the Group also actively promoted the acquisition of incremental land resources for projects such as Zengcheng Shitan Passenger Transportation Station, Zengcheng Railway Logistics Park, Taihe Service Zone and Liangjinshan Service Zone in Guangzhou.

## FINANCIAL REVIEW (DATA OF 2016 RESTATED)

### The Group's annual results for the year ended 31 December 2017

In 2017, operating income from the travel service business segment increased steadily and net profit and net profit attributable to shareholders of the Company also increased steadily as the Group expanded the scale of operations, vigorously pushed forward the consolidation of resources and fully utilized synergies.

For the year ended 31 December 2017, operating income of the Group amounted to RMB7,248,493,000 (2016: RMB7,321,371,000), representing a year-on-year decrease of RMB72,878,000 or 1%; gross profit amounted to RMB1,349,482,000 (2016: RMB1,281,182,000), representing a year-on-year increase of RMB68,300,000 or 5%. The decrease in operating income for 2017 was due to the decrease in the supply of materials, as a result of substantial completion of certain projects of the modern logistics business, but the increase in self-operated gas stations in expressway service zones resulted in a year-on-year increase in the revenue generated from travel services; the increase in gross profit was due to the year-on-year increase in the settlement price of major materials under market impact that resulted in a year-on-year increase in the gross profit of the modern logistics business.

For the year ended 31 December 2017, the Group realized net profit of RMB527,282,000 (2016: RMB457,839,000), representing a year-on-year increase of RMB69,443,000 or 15%; net profit attributable to shareholders of the parent company (the "Shareholders") were RMB417,280,000 (2016: RMB335,154,000), representing a year-on-year increase of RMB82,126,000 or 25%; basic earnings per share were RMB0.52 (2016: RMB0.44 per share), representing a year-on-year increase of RMB0.08 or 18%. The increase in net profit was mainly due to (i) the increase in settlement price of materials under market impact that resulted in a year-on-year increase in gross profit, and (ii) the year-on-year increase in the net profit for current period from the Southern United Assets & Equity Exchange Co., Ltd. (南方聯合產權交易中心有限責任公司), an associate of the Company, that resulted in an increase in the investment gains of the Group.

As at 31 December 2017, the gearing ratio of the Group was 59.23% (2016: 56.02%), representing a year-on-year increase of 3.21 percentage points, maintaining a more optimized capital structure. Return on net assets was 18.38% (2016: 16.53%), representing a year-on-year increase of 1.85 percentage points, with further improvement in the profitability of assets.

## SEGMENT INFORMATION

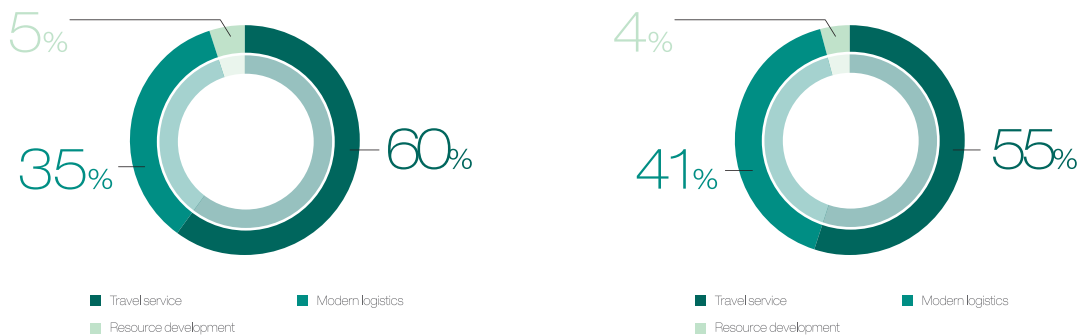
### Operating income

Operating income of the Group for 2017 was mainly derived from three business segments, including revenue from travel service, modern logistics and resource development. Operating income of the Group for 2017 amounted to RMB7,248,493,000 (2016: RMB7,321,371,000), representing a year-on-year decrease of RMB72,878,000 or 1%, which was mainly due to the decrease in the supply of materials, as a result of substantial completion of certain projects of the modern logistics business, but the increase in self-operated gas stations in expressway service zones resulted in a year-on-year increase in the revenue generated from travel services.

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

	2017		2016	
	RMB'000	Percentage	RMB'000	Percentage
Travel Service	4,383,784	60%	4,016,826	55%
Modern Logistics	2,558,455	35%	3,026,369	41%
Resource Development	306,254	5%	278,176	4%
<b>Total</b>	<b>7,248,493</b>	<b>100%</b>	<b>7,321,371</b>	<b>100%</b>

Operating income by business segments (as of 31 December), 2017 (Percentage)      Operating income by business segments (as of 31 December), 2016 (Percentage)



### 1. Travel Service

Travel service segment is a key source of the Group's operating income, the operating income generated in 2017 amounted to RMB4,383,784,000 (2016: RMB4,016,826,000), representing an increase of RMB366,958,000, or 9%, as compared to the same period in 2016, and accounting for approximately 60% (2016: 55%) of the Group's total operating income, of which:

- (1) The road passenger transportation and auxiliary services recorded operating income of RMB2,931,098,000 in 2017 (2016: RMB3,005,823,000), representing a year-on-year decrease of RMB74,725,000 or 2%.
- (2) As of 31 December 2017, for the service zone operation business, the number of service zones in operation was 210 (2016: 199). Operating income generated from the operating business of service zones recorded operating income of RMB285,052,000 in 2017 (2016: RMB257,732,000), representing a year-on-year increase of RMB27,320,000 or 11%, which was mainly attributable to the year-on-year increase in the number of service zones.
- (3) The convenience store retail business recorded an operating income of RMB412,807,000 in 2017 (2016: RMB325,007,000), representing a year-on-year increase of RMB87,800,000 or 27%, which was mainly due to a year-on-year increase in the number of Loyee convenience stores.

- (4) The energy business generated operating income of RMB645,350,000 in 2017 (2016: RMB350,795,000), representing a year-on-year increase of RMB294,555,000 or 84%, which was mainly due to a year-on-year increase of self-operated gas stations in expressway service zones that realized income in the current period.
- (5) The automobile service business mainly comprises the road rescue business, operating income generated in 2017 amounted to RMB109,477,000 (2016: RMB77,469,000), representing a year-on-year increase of RMB32,008,000 or 41%, which was mainly due to the increase in the volume of operations and service subsidies.

### 2. *Modern Logistics*

The modern logistics segment is a key source of operating income of the Group. Operating income for 2017 amounted to RMB2,558,455,000 (2016: RMB3,026,369,000), representing a year-on-year decrease of RMB467,914,000 or 15% as compared to 2016, accounting for approximately 35% of the Group's total operating income (2016: 41%). The decrease in operating income was mainly due to the decrease in the supply volume of materials as a result of the substantial completion of some projects.

### 3. *Resource Development*

Resource development segment is a stable source of the Group's operating income. The operating income generated in 2017 was approximately RMB306,254,000 (2016: RMB278,176,000), representing an increase of RMB28,078,000 or 10% as compared to the corresponding period in 2016. The increase in operating income was mainly due to the organic growth of traffic volume in the asset operations at Taiping Interchange. Of which:

- (1) The operation of Taiping Interchange assets generated an operating income of approximately RMB220,738,000 in 2017 (2016: RMB200,027,000), representing a year-on-year increase of RMB20,711,000 or 10%, which was mainly due to an increase in traffic volume.
- (2) The advertising media business generated an operating income of approximately RMB81,240,000 in 2017 (2016: RMB72,647,000), representing a year-on-year increase of RMB8,593,000 or 12%, which was mainly due to the year-on-year increase in income derived from column resources.

## **Gross profit**

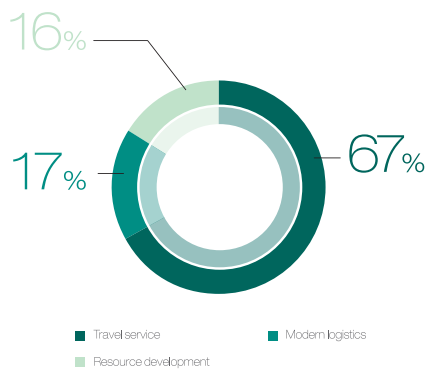
The gross profit of the Group recorded in 2017 was RMB1,349,482,000 (2016: RMB1,281,182,000), representing an increase of RMB68,300,000, or 5%, as compared to the corresponding period in 2016, the gross profit margin was 19% (2016: 17%). The increase in both gross profit amount and gross profit margin was mainly due to a year-on-year increase in the gross profit of the modern logistics business as a result of a year-on-year increase in the settlement price of materials under market impact.

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

	2017		2016	
	RMB'000	Percentage	RMB'000	Percentage
Travel Service	907,077	67%	920,138	72%
Modern Logistics	231,602	17%	162,620	13%
Resource Development	210,803	16%	198,424	15%
<b>Total</b>	<b>1,349,482</b>	<b>100%</b>	<b>1,281,182</b>	<b>100%</b>

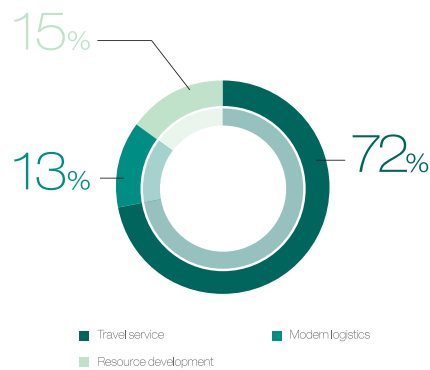
Gross profit by business segments

(as of 31 December 2017) (Percentage)



Gross profit by business segments

(as of 31 December 2016) (Percentage)



### 1. Travel Service

The travel service segment recorded gross profit of RMB907,077,000 in 2017 (2016: RMB920,138,000), representing an decrease of RMB13,061,000 or 1% as compared to the corresponding period in 2016, the gross profit margin was 21% (2016: 23%). The decrease in gross profit was mainly due to a decrease in operating income from the road transportation and auxiliary services business as compared to the previous year.

- (1) Road Passenger transportation and auxiliary services generated gross profit of RMB587,194,000 in 2017 (2016: RMB637,487,000), representing a year-on-year decrease of RMB50,293,000, or 8%. Gross profit margin was 20% (2016: 21%) for the year. The decrease in gross profit amount and gross profit margin was mainly due to the decrease in revenue.
- (2) The business of service zone operations recorded a gross profit amount of RMB67,225,000 in 2017 (2016: RMB55,651,000), representing a year-on-year increase of RMB11,574,000 or 21%, and the gross profit margin was 24% (2016: 22%). The increase in the gross profit amount was mainly attributable to the increase in revenue from service zones.

- (3) The retail business of convenience stores generated a gross profit amount of RMB69,544,000 in 2017 (2016: RMB60,018,000), representing an increase of RMB9,526,000 or 16%, and the gross profit margin was 17% (2016: 18%). The increase in gross profit amount was mainly due to the increase in operating income as a result of a year-on-year increase in the number of convenience stores.
- (4) The energy business generated a gross profit amount of RMB148,170,000 in 2017 (2016: RMB149,729,000), representing a year-on-year decrease of RMB1,559,000 or 1%, and the gross profit margin was 23% (2016: 43%).
- (5) The automobile service business mainly comprises the road rescue business. The gross profit amount in 2017 was RMB34,944,000 (2016: RMB17,253,000), representing a year-on-year increase of RMB17,691,000 or 103%, and the gross profit margin was 32% (2016: 22%). The increase in gross profit amount and gross profit margin was mainly due to the increase in income brought by the increase in business volume and toll standard rates.

## 2. *Modern Logistics*

The modern logistics segment generated a gross profit amount of RMB231,602,000 in 2017 (2016: RMB162,620,000), representing an increase of RMB68,982,000 or 42% as compared to the corresponding period in 2016, the gross profit margin was 9% (2016: 5%). The increase in gross profit amount and gross profit margin was mainly due to a year-on-year increase in gross profit as a result of a year-on-year increase in the settlement price of materials under market impact.

## 3. *Resource Development*

The resource development segment generated a gross profit amount of RMB210,803,000 in 2017 (2016: RMB198,424,000), representing an increase of RMB12,379,000 as compared to the corresponding period in 2016, or increase by 6%, the gross profit margin was 69% (2016: 71%). The increase in gross profit amount was due to a year-on-year increase in income.

- (1) The operation of assets at the Taiping Interchange generated a gross profit amount of RMB179,430,000 in 2017 (2016: RMB168,663,000), representing an increase of RMB10,767,000 or 6%. The growth in gross profit amount was due to a year-on-year increase in operating income. The gross profit margin in 2017 was 81% (2016: 84%). The decrease in gross profit margin was mainly due to a year-on-year increase in the cost of maintenance and repairs.
- (2) The advertising media business generated a gross profit amount of RMB36,557,000 in 2017 (2016: RMB31,499,000), representing a year-on-year increase of RMB5,058,000 or 16%, and the gross profit margin was 45% (2016: 43%), which was mainly due to a year-on-year increase in income.

### Tax and surcharges

The amount of tax and surcharges in 2017 was RMB53,802,000 (2016: RMB61,122,000), representing a year-on-year decrease of RMB7,320,000 or 12%, which was mainly due to the impact of including the service zone, Taiping Interchange and leasing businesses in the scope of implementing the change in policy from business tax to value-added tax.

### Selling and administrative expenses

In 2017, the Group incurred selling and administrative expenses of RMB750,541,000 (2016: RMB761,488,000), representing a decrease of RMB10,947,000 or 1% as compared to the corresponding period in 2016.

### Finance expenses

Finance expenses incurred in 2017 amounted to RMB55,539,000 (2016: RMB48,046,000), representing a year-on-year increase of RMB7,493,000 or 16%, which was mainly due to the increase in the scale of interest-bearing liability compared to last year.

### Impairment losses

Impairment losses of assets in 2017 was RMB12,775,000 (2016: RMB30,851,000), representing a year-on-year decrease of RMB18,076,000 or 59% in the provision for impairment losses, which was mainly due to the increase in the Group's provisions for impairment in the previous year in view of the weakened financial conditions of individual.

### Investment income

Investment income derived in 2017 amounted to RMB47,206,000 (2016: RMB26,616,000), representing a year-on-year increase of RMB20,590,000 or 77%, which was mainly due to the year-on-year increase in the net profit for current period from the Southern United Assets & Equity Exchange Co., Ltd. (南方聯合交易中心有限責任公司), an associate of the Company, that resulted in an increase in the investment gains of the Group.

### Other income

Other income derived in 2017 amounted to RMB170,900,000 as a result of the reclassification in income statement of government subsidies relating to the ordinary activities of the Group during the current period in compliance with the latest requirements under "Accounting Standards for Business Enterprises No.16 — Government Subsidies".

### Non-operating income and expenditure

In 2017, the net amount of non-operating income and expenditure was RMB9,788,000 (2016: RMB197,779,000), representing a year-on-year decrease of RMB187,991,000 or 95%, which was mainly due to the reclassification in income statement of government subsidies relating to the ordinary activities of the Group in compliance with the latest requirements under "Accounting Standards for Business Enterprises No.16 — Government Subsidies".

### Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards the use of funds. The Group satisfied its requirements 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 favorable interest rate environment of the bond market to optimize its financial structure and lower overall financial costs through comparatively low cost financial channels. 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. Benefitting from the strict budget controls towards the funds of the Group and the improvements on the capital structure of the Group, at the end of 2017, the balance of available bank facilities of the Group amounted to RMB4,476,560,000 and net cash inflow from operations at the end of the period amounted to RMB685,725,000, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

<b>Items</b>	<b>As of 31 December 2017 RMB'000</b>	As of 31 December 2016 RMB'000
Borrowings	<b>1,714,193</b>	1,155,248
Less: Cash and cash equivalents	<b>1,801,856</b>	1,600,195
Net debt	<b>(87,663)</b>	(444,947)
Total liabilities	<b>5,220,658</b>	4,310,297
Total equity attributable to shareholders	<b>3,593,416</b>	3,384,855
Total equity	<b>3,505,753</b>	2,939,908
Total assets	<b>8,814,074</b>	7,695,152
Gearing ratio	<b>(2.50%)</b>	(15.13%)
Asset to liability ratio	<b>59.23%</b>	56.02%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total equity attributable to shareholders

Asset to liability ratio = Total liabilities/Total assets



## Cash flows

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

	For the year ended December 31		
	2017	2016	Change
Cash generated from/(used in)	RMB'000	RMB'000	RMB'000
Operating activities	<b>685,725</b>	729,190	(43,465)
Investing activities	<b>(656,102)</b>	(720,720)	64,618
Financing activities	<b>179,622</b>	(344,277)	523,899

## Operating activities

The Group's net cash inflow from operating activities amounted to RMB685,725,000 during 2017 (2016: Net cash inflow of RMB729,190,000), representing a year-on-year decrease of net cash inflow by RMB43,465,000, which was mainly attributable to a year-on-year increase in the staff cost.

## Investing activities

The net cash outflow from investing activities during 2017 was RMB656,102,000 (2016: Net cash outflow of RMB720,720,000), representing a year-on-year decrease in net cash outflow by RMB64,618,000, which was mainly attributable to a year-on-year decrease in cash paid for acquisition and construction of long-term assets.

## Financing activities

The net cash inflow from financing activities during 2017 was RMB179,622,000 (2016: net cash outflow of RMB344,277,000), representing a year-on-year increase in net cash inflow of RMB523,899,000, which was mainly attributable to (i) a year-on-year increase in cash inflow of RMB284,781,000 from receipt of loan proceeds, and (ii) a year-on-year decrease in cash payment of RMB306,765,000 for repayment of borrowings.

## Borrowings

As of 31 December 2017, outstanding borrowings of the Group amounted to RMB1,714,193,000 (2016: RMB1,155,248,000), comprising (i) unsecured short-term loans of RMB161,000,000 (31 December 2016: RMB25,000,000); (ii) secured short-term loans of nil (31 December 2016: RMB20,000,000); (iii) short-term loans secured by letter of credit of RMB51,807,000 (31 December 2016: nil); (iv) secured long-term loans of RMB163,301,000 (31 December 2016: RMB183,966,000); (v) unsecured long-term loans of RMB402,062,000 (31 December 2016: RMB93,807,000); (vi) finance lease payable: RMB160,712,000 (31 December 2016: RMB58,304,000); and (vii) bonds payable of RMB775,311,000 (31 December 2016: RMB774,171,000). As at 31 December 2017, the majority of the Group's borrowings were denominated in RMB and were subject to floating or fixed interest rates, of which borrowings with fixed interest rate accounted for 67%.

### Major acquisitions and establishment of new companies

For the year ended 31 December 2017, the Group invested in the establishment of 5 new companies, including Foshan Nanhai Yueyun Transportation Co., Ltd. (佛山市南海區粵運交通運輸有限公司), Zhaoqing Yueyun Automobile Leasing Co., Ltd. (肇慶市粵運汽車租賃有限公司), Guangzhou Yueyun Langri Transportation Co., Ltd. (廣州市粵運朗日交通運輸有限公司), Yangjiang High-Tech Zone Yueyun Langri Industrial Co., Ltd. (陽江高新區粵運朗日實業有限公司) and Yangjiang Hailing Yueyun Langri Tourism Transportation Co., Ltd. (陽江市海陵粵運朗日旅遊交通運輸有限公司); acquisition of 7 new subsidiaries, including Huaiji County Yueyun Urban-Rural Public Transportation Co., Ltd. (懷集縣粵運城鄉公共交通有限公司), Guangdong Yangjiang Vehicle Transportation Group Co., Ltd. (廣東陽江汽車運輸集團有限公司), Yangchun Chunjiang Vehicle Transportation Co., Ltd. (陽春市春江汽車運輸有限公司), Yangchun Taiyun Property Co., Ltd. (陽春市泰運物業有限公司), Yangjiang Yueyun Langri Automobile Technical Services Co., Ltd. (陽江市粵運朗日汽車技術服務有限公司), Yangjiang Tongguwan Automobile Comprehensive Performance Testing Co., Ltd. (陽江市銅鼓灣汽車綜合性能檢測有限公司) and Yangshan County Shuntong Transportation Service Co., Ltd. (陽山縣順通運輸服務有限公司). The Group's total cost of investment in these new companies was approximately RMB101,103,000.

### 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 lease (within 10 years)
Zijin Old Station — Main Building, Clock Tower, Office of Canteen	No. 99, Jinshan Boulevard Central, Zijin County	Operating lease	Short-term lease (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 lease (within 10 years)
Floor 1 to 4, East Block, New Station Office Building	Northwest of Guangfu Road, Haifeng County	Operating lease	Short-term lease (within 10 years)
Ground level shop, Hang On Building, No. 159A, Sai Yeung Choi Street North, Mongkok, Kowloon	Ground level shop, Hang On Building, No. 159A, Sai Yeung Choi Street North, Mongkok, Kowloon	Operating lease	Short-term lease (within 10 years)
Apartment for Drivers	Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City	Operating lease	Short-term lease (within 10 years)

Name of property	Address	Usage	Types of lease
Jieshi Vehicle Passenger Terminal Complex	The left portion (southern part) of the first and second floors and the third to the sixth floors of the Jieshi Vehicle Passenger Terminal Complex located at Xuanwu Avenue, Jieshi Town, Lufeng	Operating lease	Long-term lease (18 years)
Passenger Traffic Center Building in Lianzhou	No. 136 Beihu Road, Lianzhou City	Operating lease	Short-term lease (within 10 years)
Danxia Mountain Vehicle Passenger Terminal Complex	Danxia Mountain Vehicle Passenger Terminal Complex	Operating lease	Short-term lease (within 10 years)
Commercial Center Property	Xintang Vehicle Passenger Terminal, No. 1 Xiangshan Boulevard South, Xintang, Guangzhou	Operating lease	Short-term lease (within 10 years)

### Pledge of assets

As at 31 December 2017, fixed assets at the net value of approximately RMB209,098,000 (31 December 2016: RMB239,508,000) and land use rights at the net value of RMB91,873,000 (31 December 2016: RMB126,497,000) of the Group were pledged as security for bank borrowings. Investment properties at the net value of approximately RMB22,393,000 of the Group were used as collaterals for bank borrowings (31 December 2016: Nil).

### Foreign exchange risk and hedging

Most of the operating income and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure related to cross-border transportation services. In 2017, the impact of exchange rate fluctuations on the working capital and liquidity of the Group was relatively small. The Directors believe that the Group has sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of Renminbi, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

### Contingent liabilities

No material contingent liabilities were recorded as of 31 December 2017.

## POTENTIAL RISK EXPOSURE

The Group is a leading integrated transportation and logistics service provider in Guangdong Province, the scope of business includes various business segments, including road passenger transportation and auxiliary services, operation of service zones, energy business, convenience store business, automobile service business, small parcel express delivery business, Taiping Interchange asset operation and development of self-owned land, with relatively strong resistance against risks as a whole.

Major risks faced by the Group include:

1. *Competition from other modes of transportation*

Road passenger transportation is one of the most important principal businesses of the Group. With increasing efforts in economic development and transportation infrastructure investment, high-speed railway and inter-city light rail transportation will have increasing impact on road transportation, the risk of being replaced by alternative modes of transportation exists in the road passenger transportation business of the Group.

Facing competition from other modes of transportation, the Group has avoided confrontation with railways and light rails, it utilizes the flexibility and mobility of vehicle transportation and leverages on the abundant types of routes and transportation resources of the Company to create a radial network synergy at the commencement and ending points of railway transportation to turn direct competition into cooperation between road passenger transportation and railway transportation with complementary strengths. Consolidation of business will be strengthened to establish a five-in-one development network layout of “fixed routes, urban public transportation, rural passenger transportation, car hiring and passenger terminals” to enhance the control over the end-user segments of passenger transportation market.

2. *Fluctuations of fuel oil prices*

Fuel cost is one of the most significant operating cost in the road passenger transportation business. Fuel oil prices are determined collectively by a variety of factors such as international market oil prices and austerity policies on fuel prices adopted by countries, certain uncertainties exist in the future price trend. If the prices of fuel oil continue rising in future, this may have certain effect on the stability of the profitability of the Group’s road passenger transportation business.

The Group implemented centralized procurement of fuel oil gradually through its subsidiary “Yueyun Energy” to gain from the advantages of economies of scale and pricing strength, and to reduce operating cost of road passenger transportation. The scale of new energy and clean energy vehicles will expand, evaluation on fuel oil will be strengthened and utilization efficiency of vehicles will be increased by uniform tuning among vehicles. Meanwhile, the government will provide a certain amount of fuel subsidies to the rural passenger transportation and urban public transportation businesses of the Group, which will relieve the effect on the profitability of the Group to a certain extent from oil price fluctuations.

3. *Operation safety*

The road passenger transportation business operated by the Group cannot rule out the occurrence of accidents due to issues such as road conditions, vehicle conditions and safety management, and may face economic compensation liabilities arising from such accidents and risks of being punished by the traffic and transport authorities. In the event of occurrence of serious traffic accidents, the reputation and normal operation of the road passenger transportation business operated by the Group may be affected negatively.

The Group has established a more comprehensive production safety management system, the safety indicators of the Group are much better than the evaluation standards in the industry and are maintained at a good level. Together with centralized management of insurance, sufficient insurance coverage will be provided to vehicles and personnel, the scope of coverage are expanded to enhance protective ability and control economic losses arising from safety incidents effectively.

4. *Incllement weather and natural disasters*

Guangdong Province is located at the southeast coastal region of China, it is in the sub-tropical climatic and monsoon wind region with abundant rainfall, active warm and wet air currents blowing from the southwest is a usual phenomenon in late Spring and early summer days each year, heavy rainfall or continuous rainstorms may be resulted, it is also affected by typhoons in the summer season. Regions with strong rainstorms may occur geological disasters easily, such as soil collapse, landslide, mudflow or ground collapse. The objective nature of sudden occurrence and beyond control of these incidents may have direct impact on the business operation of the Company.

5. *Policy risk*

The operating income of Taiping Interchange Assets is mainly derived from toll revenue of vehicles. Since the toll standard rates and their adjustments are determined and approved by the relevant government authorities, if the toll standard rates are adjusted by the government, the operating income of the Company will be affected. Also, being a leading transportation enterprise in Guangdong Province, the Company's urban public transportation and rural passenger transportation businesses have the benefits of government subsidies, if the government adjusts its policies relevant to the industry where the Group operates, the risk of fluctuations may arise in the stability of the Group's operating results.

6. *Operational risk*

The Taiping Interchange is a transportation hub connecting the Humen Bridge and Guangzhou-Shenzhen Expressway. As the Taiping Interchange, the Humen Bridge and the Guangzhou-Shenzhen Expressway have been in service for over 20 years, the structures such as bridges and roads were aging in different degrees, causing certain risks to their safe operation. If and when an overhaul and even closure for maintenance are required for the Taiping Interchange along as the Humen Bridge and the Guangzhou-Shenzhen Expressway connecting to it, according to the State's regulations and requirements for relevant industries, so as to ensure sound operation of the roads and bridges, the toll revenue of the Company will be affected to a larger extent.

## SIGNIFICANT INVESTMENT PLANS IN 2018

For significant investment and business development plans in 2018, please refer to the section of Chairman's Statement, and the financing arrangements required by the Group will be obtained through various means such as self-organized financing and bank loans.

# FIVE-YEAR FINANCIAL SUMMARY

(Amounts are presented in RMB'000)

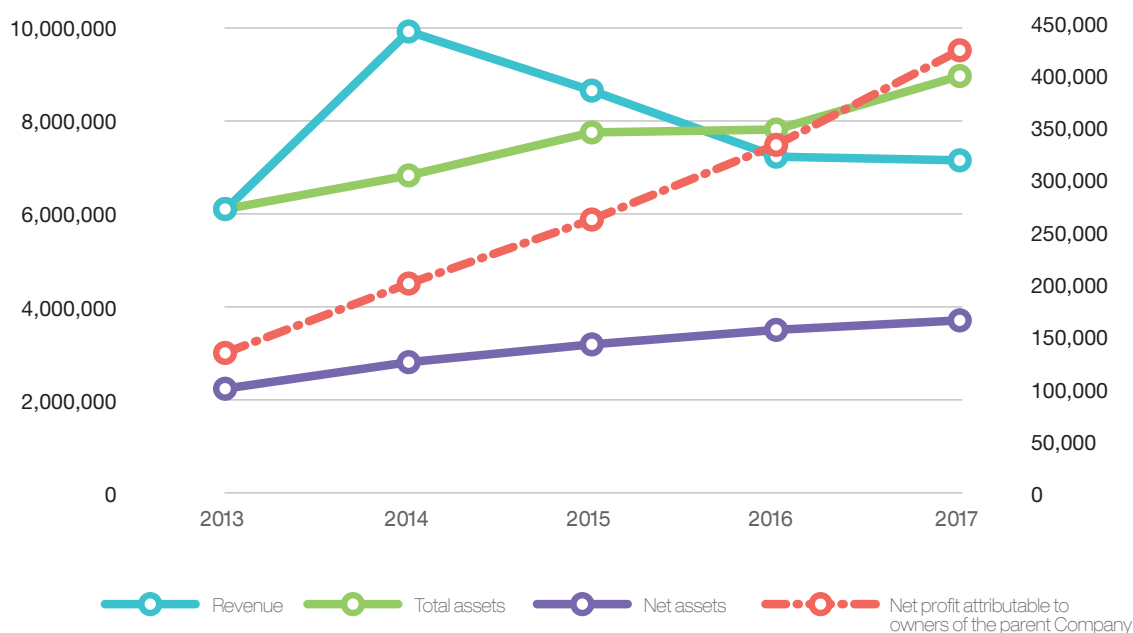
For the year ended December 31	2017	2016	2015	2014	2013
Operating income	<u>7,248,493</u>	<u>7,321,371</u>	<u>8,709,334</u>	<u>9,878,072</u>	<u>6,165,832</u>
Total profit	<u>704,977</u>	607,381	530,412	420,688	298,287
Income tax expenses	<u>(177,695)</u>	<u>(149,542)</u>	<u>(164,208)</u>	<u>(127,099)</u>	<u>(88,140)</u>
Net profit	<u>527,282</u>	457,839	366,204	293,589	210,147
Net profit attributable to shareholders of the parent company	<u>417,280</u>	335,154	266,020	202,796	135,893
Profit and loss attributable to minority interests	<u>110,002</u>	<u>122,685</u>	<u>100,184</u>	<u>90,793</u>	<u>74,254</u>

## ASSET AND LIABILITIES

As at December 31	2017	2016	2015	2014	2013
Total assets	<u>8,814,074</u>	7,695,152	7,552,785	6,753,080	6,176,936
Total liabilities	<u>5,220,658</u>	4,310,297	4,506,196	4,041,177	3,966,045
Net assets	<u>3,593,416</u>	3,384,855	3,046,589	2,711,903	2,210,891

## 5 Years Financial Summary

(Amount stated in RMB'000)



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the Company has 9 directors and 7 supervisors as well as a group of senior management personnel. There is no relationship (including financial, business, family or other material/relevant relationship(s)) between any of the directors of the Company (the “**Directors**”), the supervisors of the Company (the “**Supervisors**”) or the senior management.

## DIRECTORS

As at the date of this report, the Company has 4 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors

## EXECUTIVE DIRECTORS

**Mr. Xuan Zongmin (禰宗民)**, aged 57, is the secretary of the party committee, an executive Director and Chairman of the Board of the Company. He also serves as a director and the chairman of Guangdong Vehicles Transportation Group Company Limited (“**GVTG**”) (a subsidiary of the Company) and Guangdong Roadnet Innovalues Media Information Technology Co., Ltd. (廣東路網數媒信息科技有限公司) (a subsidiary of the Company). Mr. Xuan has served as a non-executive Director since June 2012 and was re-designated as an executive Director on December 2012. He was appointed as the general manager of the Company in November 2012 and re-designated as the chairman of the Board with effect from March 2014. Mr. Xuan also served as a non-executive Director of the Company from January 2001 to December 2004. Mr. Xuan served as a director and the general manager of GVTG from April 2004 to June 2014. Other major work experience of Mr. Xuan includes, among others, serving as the deputy chief of secretary section and chief of information section of the Department of Communications of Guangdong Province (廣東省交通廳), and served successively as the assistant to the general manager, the deputy general manager, a director and the general manager of Weisheng Transportation & Enterprises Company Limited (威盛運輸企業有限公司). Mr. Xuan obtained an MBA degree from the Murdoch University in Australia. He possesses professional qualification as a senior political worker.

**Mr. Tang Yinghai (湯英海)**, aged 49, is the vice secretary of the party committee, an executive Director and the general manager of the Company. He also serves as a director and the general manager of GVTG and a director and the chairman of Guangdong Top-E. Mr. Tang has served as a non-executive Director since June 2012 and re-designated as an executive Director on December 2012. He was appointed as the deputy general manager of the Company in November 2012 and re-designated as the general manager with effect from March 2014. Mr. Tang served successively as the deputy manager and the manager of accounting department, a director and the chief accountant of The Motor Transport Company of Guangdong and Hong Kong Limited (“**GD-HK Company**”) from June 1998 to July 2005; he served as the chief accountant and the deputy general manager of GVTG from July 2005 to June 2014. Other major work experience of Mr. Tang includes, among others, working for the Highway Construction Office of the Guangdong Province (廣東省公路工程處), and the accountant and deputy supervisor of the Department of Communications of Guangdong Province (廣東省交通廳). Mr. Tang graduated with a master degree in law from Renmin University of China (中國人民大學) and EMBA from South China University of Technology (華南理工大學). He possesses professional qualification as a senior accountant.

**Mr. Yao Hanxiong (姚漢雄)**, aged 52, is a member of the party committee, an executive Director and the deputy general manager of the Company. Mr. Yao has served as an executive Director since December 2012 and the deputy general manager of the Company since October 2007. Other major work experience of Mr. Yao includes, among others, serving as the deputy manager and the manager of the second branch office of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限公司第二分公司), and a director and the deputy general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建设集團有限公司). From 2002 to 2005, Mr. Yao was designated by the Organization Department of the Guangdong Provincial Party Committee to serve temporarily as the deputy chief executive (presiding over science and technology) of Deqing County, Zhaoqing City. Mr. Yao obtained a bachelor degree in road and bridge engineering from Chongqing Jiaotong University (重慶交通學院), and holds an executive master degree in business administration (EMBA) from Jinan University (暨南大學). He has the professional qualification of senior engineer for roads and bridges.

**Mr. Guo Junfa (郭俊發)**, aged 54, is an executive Director. Mr. Guo is currently the head of the supervision and audit department of GCGC. He is also a director and the chairman of the board of several subsidiaries of the Company (including GD-HK Company, Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Guangzhou) (廣東粵利佳客運有限公司(廣州)) and Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Hong Kong) (廣東粵利佳客運有限公司(香港)) and he also served as a director of Gang Tong (HK) Motor Transport Company Limited (a subsidiary of the Company). Mr. Guo has served as an executive Director since December 2012. He also served as an executive Director from June 2007 to December 2007. Mr. Guo served as a director and the general manager of GD-HK Company from August 2005 to August 2012. Other major work experience of Mr. Guo includes, among others, serving as director of the Technology Education Division of the Department of Communications of Guangdong Province (廣東省交通廳科技教育處處長), director of the Foreign Economic Division of the Department of Communications of Guangdong Province and the director of the Loan Office of World Bank of the Department of Communications of Guangdong Province (廣東省交通廳世界銀行貸款辦公室主任). Mr. Guo holds an executive master degree in business administration (EMBA) from the South China University of Technology (華南理工大學). He was selected and sent overseas to the University of British Columbia of Canada by the relevant department of Guangdong Province in 2003 to study the MPA course for a year.



## NON-EXECUTIVE DIRECTORS

**Mr. Li Bin (李斌)**, aged 49, is a non-executive Director. He is currently the head of the strategic development department of GCGC. Mr. Li has served as a non-executive Director since December 2012. He served as a director of GVTG from December 2009 to June 2014. Mr. Li has served successively as the executive staff of the general affairs department and the investment management department, and as the deputy head of the strategic development department of GCGC from 2004 to 2014. Since 2005, Mr. Li was seconded three times to Guangdong Province SASAC to participate in the drafting of the Opinion on Deepening State-owned Enterprise Reform (深化國企改革的意見) document formulated by the Guangdong Provincial Party Committee and provincial government, and acted as the team leader of promotion of state-owned enterprise system reform expert team of Guangdong Province and provincial government for several times. Other major past working experiences of Mr. Li include, among others, serving as the deputy manager of the operation department and chief of the information center and the communist party working group of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司); a lecturer in computer science at the Guangdong Communications Polytechnic (廣東交通職業技術學院), and is currently a visiting professor of Guangdong Communications Polytechnic. Mr. Li graduated from South China Normal University (華南師範大學) with a bachelor degree in computer science. He also graduated from the Guangdong University of Technology (廣東工業大學) with a bachelor degree in highway and urban road major. He studied the Business Administration Graduate Seminar Course offered by Jinan University, and obtained qualifications as a senior engineer and a senior economist.

**Mr. Chen Min (陳敏)**, aged 54, is a non-executive Director, currently serving as the head of the legal affairs department of GCGC, as well as the director of Guangdong Province Communications Planning & Design Institute Co., Ltd (廣東省交通規劃設計研究院股份有限公司, an associate of GCGC) and Guangdong Provincial Expressway Development Co., Ltd. (廣東省高速公路發展股份有限公司, “**Guangdong Expressway**”, a subsidiary of GCGC, a company listed on the Shenzhen Stock Exchange, A share stock code 000429, B share stock code 200429). Mr. Chen served as the deputy general manager of the Company from September 2009 to June 2011. Other major past working experiences of Mr. Chen include, among others: contract team leader of the General Contracting Group of Guang Shen Zhu Expressway (廣深珠高速公路總承包集團); manager of engineering department, deputy chief economist and chief economist of Guangdong Highway Engineering Construction Group Co., Ltd. (廣東省公路工程建設集團有限公司); director, deputy general manager, chief economist and general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建設集團有限公司). During the period from 2011 to 2014, he served as the deputy head of the legal affairs department of GCGC. Mr. Chen graduated from Changsha Jiaotong College (長沙交通學院) majoring in highway and city road and obtained a bachelor’s degree of engineering. Mr. Chen also holds a qualification certificate of legal adviser to enterprises and possesses qualifications as a senior economist as well as cost engineer.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Gui Shouping (桂壽平)**, aged 65, is an independent non-executive Director. Mr. Gui has engaged in the research of logistics technology and logistics load-unload machinery for a long time. Since 1997, he has been committed to teaching and scientific research at the South China University of Technology (華南理工大學), he is the leader of logistics and e-commerce discipline (物流與電子商務學科) in South China University of Technology, and he was the vice president of the Economics and Trade Faculty, the vice president of the Electronic Trade Faculty, vice-president of the School of Traffic and Communications, the executive vice-chairman of Research Institute of Intelligent Transport System and Logistics Technology and the dean of the logistics engineering department of the School of Traffic and Communications of this university. His major concurrent positions include committee member of National Logistics and Information Standardisation Technology Committee, committee member of National Crane Mechanism Standardisation Technology Committee, executive board member of China Logistics Association and research fellow of the Logistics Planning Research Institute of China Federation of Logistics and Purchasing. Mr. Gui has obtained professional qualifications as a senior engineer and a research fellow. He graduated from Wuhan University of Water Transportation Engineering (武漢水運工程學院) in 1975 majoring in logistics construction. Currently, Mr. Gui also serves as an independent non-executive director of Guangzhou Modern Department Store Company Limited (廣州摩登百貨股份有限公司, a company listed on the National Equities Exchange and Quotations system of the People's Republic of China (the “**New Third Board**”), stock code: 430689) and an independent Director of Guangken Chenxi International Produce Logistic Investment Company Limited (廣墾辰禧國際農產品物流投資有限公司).

**Mr. Jin Wenzhou (靳文舟)**, aged 57, is an independent non-executive Director. Mr. Jin has long been engaged in teaching and research work of transportation engineering, and he is currently a professor and PhD Supervisor of transportation engineering at Civil and Transportation of South China University of Technology, and the team leader of the Transportation Planning and Management Academic Team at South China University of Technology. From 1985 to 1999, Mr. Jin taught at Jilin University of Technology, during which, from 1996 to 1997, Mr. Jin was a senior visiting scholar at the Transportation Research Center at the University of London. Mr. Jin then began teaching at South China University of Technology in 1999 and was appointed to his current post as professor in 2001. Mr. Jin was also the former head of transportation department at Jilin University of Technology and the vice president of School of Civil and Transportation Engineering, South China University of Technology. Mr. Jin also holds the following posts: expert member of Guangdong Province Government Policy Advisory Board (廣東省政府決策諮詢顧問委員會), supervisor of the Transportation Association of Guangdong Province (廣東省交通運輸協會), member of experts committee of Guangdong Traffic and Transport Association (廣東省城市公共交通協會) and member of guidance committee for Road Transport and Engineering Education of the Ministry of Education (教育部道路運輸與工程教學指導委員會). Mr. Jin graduated from Jilin University with a master's degree of science in probability and statistics and further received a PhD degree in transport management engineering from Jilin University of Technology.

**Ms. Lu Zhenghua (陸正華)**, aged 55, is an independent non-executive Director. Ms. Lu was an independent Supervisor from June 2012 to June 2016. Currently, she is an associate professor and postgraduate master tutor of the School of Business Administration of South China University of Technology. Ms. Lu acted as a teaching assistant and a lecturer of the Economics and Management Department of East China Jiaotong University. Ms. Lu holds a master degree in economics from the Finance Department of Jinan University majoring in money and banking, and has obtained a Doctor of Philosophy degree in Business Management from the Faculty of Administration and Management of the Macau University of Science and Technology. Ms. Lu is a member of The Chinese Institute of Certified Public Accountants. She has participated in formulating, and has provided advice and opinions on the financial operation systems and listing financing plans of various companies. Ms. Lu is currently an independent director of Guangdong Guangxin Information Industry Holding Co., Ltd. (廣東廣新信息產業股份有限公司, a company listed on the New Third Board, stock code: 831813), Guangdong Lilac Industrial Co., Ltd. (廣東紫丁香實業股份有限公司) and Guangzhou Hi-target Navigation Tech Co., Ltd. (廣州中海達衛星導航技術股份有限公司, a company listed on ChiNext of Shenzhen Stock Exchange, stock code: 300177). She is also a director of Guangdong Dazhi Environmental Protection Technology Co., Ltd (廣東達志環保科技股份有限公司). During the past three years, Ms. Lu Zhenghua served as an independent director of the following companies: Guangdong Gensho Logistics Co., Ltd (廣東原尚物流股份有限公司) and Guangzhou Comet Co., Ltd. (廣州科密股份有限公司). She also served as a 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 ChiNext of Shenzhen Stock Exchange (stock code: 300530).

## SUPERVISORS

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

**Mr. Hu Xianhua (胡賢華)**, aged 43, is a Supervisor and the chairman of the supervisory committee of the Company and is currently the chairman of the dispatched chairman of the supervisory committee of GCGC. Mr. Hu worked for the Company as a clerk from March 2004 to December 2005. Other major work experience of Mr. Hu Xianhua includes, among others: manager of the finance department of Guangshan Highway Huizhou Section Co. Ltd. (廣汕公路惠州段有限公司), project manager of Xin Yue Company Limited (新粵有限公司), grade one staff member (一級職員) of the financial audit department, grade one staff member (一級職員) of the audit and supervision department, deputy business supervisor and business supervisor of GCGC. Mr. Hu is a graduate of Wuhan University majoring in auditing, and obtained a bachelor's degree in economics and possesses the qualification as senior accountant. Currently, Mr. Hu also serves as a supervisor and the chairman of the supervisory committee of Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司) and Guangdong Gong Bei Bus Transportation Co. Ltd.(廣東省拱北汽車運輸有限責任公司).

**Mr. Wang Qingwei (王慶偉)**, aged 44, is a Supervisor and is currently a dispatched supervisor of GCGC. Other major work experience of Mr. Wang includes, among others: deputy director of the financial audit department of the Second Branch of Guangdong Guanyue Highway & Bridge Company (廣東冠粵路橋公司二分公司) and head of the financial audit department of Guangdong Guanyue Highway & Bridge Company Limited (廣東冠粵路橋公司). Mr. Wang is a university graduate of the School of Adult Education of Peking University (北京大學成人教育學院) majoring in international economy and trade, and has obtained a master's degree in professional accounting from the School of Management in Jinan University (暨南大學管理學院), and possesses the qualification as a senior accountant. Mr. Wang also serves as a supervisor of the supervisory committee of Guangdong Gong Bei Bus Transportation Co. Ltd..

**Mr. Dong Yihua (董毅華)**, aged 60, is a Supervisor and currently serves as an associate professor of the Accounting Department at the Faculty of Management of Jinan University (暨南大學管理學院). He has taken part in the assessment work on the bidding evaluation of certain key projects or enterprise projects hosted by the Economy and Trade Committee of Guangdong province (廣東省經貿委), the Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), China CNTC International Tendering Corporation (中招國際招標有限公司), and Guangzhou Productivity Promotion Center (廣州生產力促進中心), respectively for consecutive years or several times in the capacity of a financial expert. Mr. Dong successively worked as a teaching assistant, a lecturer, a deputy director and a director of the teaching and research office and an associate professor at the Department of Finance and Accounting in Jiangxi University of Finance and Economics (江西財經學院). He has worked in Jinan University (暨南大學) since September 1994, and served as an associate professor of Modern Management Center of Jinan University (暨南大學現代管理中心). Mr. Dong studied at the Department of Finance and Accounting in Jiangxi University of Finance and Economics (江西財經學院) majoring in business finance and accounting, and obtained a bachelor's degree in economics and a master's degree in economics, respectively.

**Mr. Lin Hai (林海)**, aged 44, is a Supervisor and currently serves as the vice president of Guangdong Zhongrui Finance Lease Co., Ltd. (廣東中瑞融資租賃有限公司) and a director of Guangzhou Ruixiu Equity Investment Fund Management Co., Ltd. (廣州瑞秀股權投資基金管理有限公司). Mr. Lin previously worked at Zhanjiang Central Sub-branch of the People's Bank of China, responsible for the foreign currency operations and the foreign exchange inspection, and also served as the director of Zhanjiang Wanjieli Trade Co., Ltd. (湛江市萬吉利貿易有限公司), the chief of the strategic investment department of Foshan Huaxin Packaging Co., Ltd. (佛山華新包裝股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 200986), the vice general manager and the financial controller of Guangzhou Improve Medical Instrument Co., Ltd. (廣州陽普醫療科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300030), and the financial advisor to Baolai International Group Co., Ltd. (寶來國際集團有限公司). Mr. Lin graduated from the Shanghai Jiao Tong University (上海交通大學) majoring in international finance and of the South China University of Technology (華南理工大學) majoring in business administration, and obtained a bachelor's degree in economics and a master's degree in business administration, respectively.

**Mr. Zhen Jianhui (甄健輝)**, aged 46, is a Supervisor and a deputy manager at the Company's supervision and audit department. Mr. Zhen is also currently a supervisor and the chairman of the supervisory committee of several subsidiaries, associates and entrusted management companies of the Group. Mr. Zhen Jianhui joined GVTG in September 1997, and previously served as a deputy manager at GVTG's supervision and audit department. He was also previously a deputy manager at the finance department of Kee Kwan Motor Road Co., Ltd. (岐關車路有限公司) and primarily in charge of the internal audit. Mr. Zhen graduated from Guangdong Xinhua College Institute of Education (廣東新華教育學院) with a college diploma in accounting and had obtained the professional title of an accountant.

**Ms. Li Xiangrong (李向榮)**, aged 46, is a Supervisor and a deputy manager at the Company's supervision and audit department. Ms. Li joined the Company in August 2009, and once served as the deputy director and the director of the auditing and supervision department of the Company. Ms. Li is also currently a supervisor and/or the chairman of the supervisory committee of several subsidiaries and associate company of the Group. Ms. Li's other main work experiences include, among others, serving as the financial chief staff of the finance department, the manager of the auditing and supervisory department and an employee supervisor of Hunan Ginde Development Co., Ltd. (湖南金德發展股份有限公司). Ms. Li obtained her bachelor's degree in political laws from the Correspondence College of the Party School of the CPC Central Committee, and owns a number of qualifications or certificates such as senior accountant, certified tax agent, international certified internal auditor and international certification in risk management assurance.

**Ms. Lian Yuebin (練越斌)**, aged 49, is a Supervisor and the deputy manager of the communist party union working department of the Company. She has been serving as the deputy manager of the communist party union working department of the Company since January 2013. Other key positions previously held by Ms. Lian include, among others, the deputy general manager and the chairman of the labor union of Guangdong Yueyun Hotel (廣東悅運酒店), the deputy general manager and the chairman of the labor union of the repair factory of GVTG and the deputy manager of the communist party union working department and the office director of the labor union of GVTG. Ms. Lian graduated from Guangdong Provincial Committee Party School in Business Administration and Jinan University in Chinese Language and Literature and holds the title of senior political scientist.

## OTHER SENIOR MANAGEMENT

**Mr. Rao Fengsheng (饒鋒生)**, aged 54, is the current vice secretary of the party committee of the Company. Mr. Rao served as a Supervisor representing the staff of the Company from June 2007 to May 2013, the manager of the human resources department of the Company from February 2003 to September 2006, the deputy secretary of the party committee and the secretary of the discipline inspection committee and the chairman of the labor union of the Company from September 2006 to January 2013. His other major working experiences include, among others, working in the bridge research centre, technology office, the party committee and office of Guangdong Provincial Transportation Science Research Institute (廣東省交通研究所) as the deputy office director, and as the deputy manager of the administration department, the manager of the human resources department, the deputy director and a secretary of the branch of party of the Guangzhou office of Xin Yue Company Limited. Mr. Rao is a senior economist and qualified senior political commissar. He graduated from the Guangdong Social Science University with a college diploma in corporate management and from Beijing Institute of Technology (北京理工大學) with a bachelor degree. He obtained a bachelor's degree in laws from Beijing Institute of Technology and a master degree in Executive Master of Business Administration (EMBA) from South China University of Technology.

**Ms. Cao Zhiying (曹植英)**, aged 47, is a member of the party committee, secretary of the committee for discipline inspection and chairman of the labour union of the Company. Ms. Cao served at the Company from February 2018. Prior to that, her other major work experience included, among others, surveillance center manger of Guangdong Humen Bridge Co., Ltd. (廣東虎門大橋有限公司), operation and management department head of Guangdong Provincial Highway Construction Co., Ltd. (廣東省公路建設有限公司), party branch secretary, deputy general manager and labour union chairman of the Humen Erqiao Branch of Guangdong Provincial Highway Construction Co., Ltd. Ms. Cao graduated successively from South China University of Technology (華南理工大學) and Jinan University (暨南大學), majoring semiconductor physics and devices and business administration, respectively with a bachelor degree in engineering and a master degree in business administration. Ms. Cao holds a senior engineer professional and technical qualification.

**Mr. Du Zhuocai (杜卓才)**, aged 56, is a member of the Party Committee and deputy general manager of the Company. He is also the chairman of the board of Zhuhai Yuegongxin Marine Shipping Limited Liability Company (珠海粵拱信海運輸有限責任公司, an associate of the Company). Mr. Du is also a director of Guangdong Hong Kong-Zhuhai-Macau Bridge Shuttle Bus Co., Ltd. (廣東港珠澳大橋穿梭巴士有限公司), Hong Kong-Zhuhai-Macau Bridge Shuttle Bus (Hong Kong) Co., Ltd. (港珠澳大橋穿梭巴士(香港)有限公司) and Hong Kong-Zhuhai-Macau Bridge Shuttle Bus (Hong Kong) Co., Ltd. (港珠澳大橋穿梭巴士(澳門)股份有限公司), respectively. Mr. Du successively acted as the vice manager of the Passenger Transportation Department, assistant general manager, director, deputy general manager and chairman of labor union at GD-HK Company from April 1999 to May 2015 until he joined the Company in May 2015. Amongst his other major working experiences, he successively served as a cadre at sub-section level of corporate administration division, deputy section chief and section officer of transportation administration division of the Department of Communications of Guangdong Province (廣東省交通廳). Mr. Du graduated from South China Institute of Technology (華南工學院) with a bachelor's degree, majoring in ship internal combustion engine.

**Mr. Zheng Siyuan (鄭思遠)**, aged 47, is a member of the Party Committee and the deputy general manager of the Company. After joining GVTG in July 2004, Mr. Zhen successively acted as the manager of Development Department and assistant general manager of GVTG and the chairman and secretary of Party Committee of Heyuan City Yueyun Motor Transportation Co., Ltd. (河源市粵運汽車運輸有限公司), a subsidiary of the Company. Amongst his other major working experiences, he successively served as a director and vice manager of Vehicle Administration Department of Kwong Fat Transport Limited (廣發運輸有限公司) and a director and vice general manager of Kwong Fat Transport Limited. Mr. Zheng graduated from South China Agricultural University (華南農業大學) with a master degree in industrial economy and has obtained the professional qualification of senior human resources management specialist. Mr. Zheng is also a director of GD-HK Company and Guangdong Yue Hua Hui Commercial Management Co., Ltd. (廣東悅華匯商業管理有限公司), respectively and a director and the chairman of Guangdong Yueyun Development Co., Ltd. (廣東粵運發展有限公司).

**Mr. Wen Wu (文忞)**, aged 47, is a member of Party Committee and chief accountant of the Company. Mr. Wen has worked for the Company since April 2015. Amongst his other major working experiences, he successively served as the technician of Guangdong Food Industry Corporation (廣東省食品工業總公司), the accountant of finance and audit department and deputy department director of Guangdong Communication Enterprise Investment Company Limited (廣東交通實業投資公司) (concurrently served as chief accountant of Guangdong Yang-Mao Expressway Company Limited (廣東陽茂高速公司有限公司)) as well as the director of the finance management department, secretary of board of directors, employee director and vice chief accountant of Guangdong Communication Enterprise Investment Company Limited. Mr. Wen graduated from Jinan University (暨南大學) with a bachelor degree of science in food chemistry and a master degree of business administration respectively and possesses the professional qualifications of a senior accountant and economist.

**Mr. Liu Wanneng (劉萬能)**, aged 49, is a member of the party committee of the Company and deputy secretary of the party committee, director and general manager of Guangdong Top-E. He is also the chairman of the board of Guangdong Zhongyou Top-E Energy Trading Company Limited (廣東中油通驛能源銷售有限公司, a joint venture of the Company). Other major work experience of Mr. Liu includes, among others, serving as office director, vice chairman of the labour union and secretary of the party branch of Xuansuoqiao Branch and office director of the Xinhui-Taishan Highway turnkey project department of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限責任公司), deputy office director of Guangdong Guanghui Highway Company Limited (廣東廣惠高速公路有限公司) and director of Huizhou Office, leader of the road administration brigade and secretary of the party branch of Guangdong Guanghui Highway Company Limited, and head of the investment and development department and head of investment and operation department of Guangdong Gong Bei Bus Transportation Company Limited (廣東省拱北汽車運輸有限責任公司). Mr. Liu graduated from Party School of the Central Committee of CPC Correspondence Institute majoring in politics and law. He has the professional qualifications as a senior logistician and political engineer.

**Mr. Zhang Dongsheng (張東升)**, aged 56, is a member of the party committee of the Company and deputy secretary of the party committee of Guangdong Top-E. Other main working experiences of Mr. Zhang include, among others, serving successively as a technician and assistant in the People's Liberation Army Navy Guangzhou Base Logistics Department, vice division personnel, deputy clerk director, clerk director and division head in Southern Ind.& Trading General Corp., deputy manager in related industry department of Guangdong Xinyue Communications Investment Company Limited, deputy general manager, deputy secretary of the party general branch, the chairman of labor union, the deputy secretary of the party committee, the secretary of the discipline inspection committee and the chairman of labor union of Guangdong Top-E. Mr. Zhang obtained a bachelor degree of naval engineering from the Naval University of Engineering, PLA. Mr. Zhang possesses the professional qualification as a senior economist.

**Mr. Liu Zhiquan (劉志全)**, aged 52, is the secretary of the Board of the Company, the managing director of Yueyun Transportation (HK) Company Limited (粵運交通股份(香港)有限公司) (a wholly-owned subsidiary of the Company) and the chairman of Yueyun Traffic Technical Service (Guangzhou) Co., Limited (a wholly-owned subsidiary of the Company). Mr. Liu joined the Company as secretary of the Board in 1999, and had concurrently served as the office director and the manager of business department of the Company. He obtained a master's degree in industry and business administration in 1999 and graduated from the course of advanced study for secretaries of boards of directors provided by the training center of the Ministry of Commerce of the PRC in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses qualification as an economist. The major past positions of Mr. Liu include, among others, serving as a cadre in Guangdong Navigation Administration Bureau (廣東省航務管理局), a secretary of the secretary section in the Department of Communications of Guangdong Province, the deputy manager of Guangdong Provincial Communication Development Co., Ltd. (廣東省交通開發公司), the managing director of Guangdong Yuefeng Real Estate Development Co., Ltd. (廣東粵峰房地產開發有限公司), and the deputy director at the General Manager's Office of Guangdong Highway Construction Co., Ltd. (廣東省公路建設公司).



# CORPORATE GOVERNANCE REPORT

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

On 1 November 2017, Mr. Peng Xiaolei resigned as the chairman and a member of the audit and corporate governance committee of the Company (“**Audit and Corporate Governance Committee**”). During the period from 1 November 2017 to 21 March 2018, the number of the Audit and Corporate Governance Committee was reduced to two and the members of Audit and Corporate Governance Committee did not have a chairman. Therefore, during the period from 1 November 2017 to 21 March 2018, the Audit and Corporate Governance Committee had a total of two members, including Ms. Lu Zhenghua, an independent non-executive Director and Mr. Li Bin, a non-executive Director, which is not in compliance with the requirements under Rule 3.21 of the Listing Rules.

On 21 March 2018, the Company has appointed Mr. Jin Wenzhou as a member of the Audit and Corporate Governance Committee, and Ms. Lu Zhenghua was elected as the chairman of the Audit and Corporate Governance Committee. Currently, the Audit and Corporate Governance Committee of the Company comprises three members, including two independent non-executive Directors, namely Ms. Lu Zhenghua and Mr. Jin Wenzhou, and one non-executive Director, namely Mr. Li Bin. Among which, Ms. Lu Zhenghua possesses the relevant professional qualifications and accounting and financial management expertise to understand financial statements. The Company has complied with the requirements under the Listing Rules in relation to the audit committee and all the code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules since then.

Except for the above non-compliance with the requirements under Rule 3.21 of the Listing Rules in respect of the number of members and vacancy of the chairman during the period from 1 November 2017 to 31 December 2017, the Company had complied with other code provisions of the CG Code for the year ended 31 December 2017.

The following provides a brief account of the provisions of the CG Code of the Company for the year ended 31 December 2017.

# CORPORATE GOVERNANCE REPORT

## BOARD OF DIRECTORS

### 1. Composition of the Board of Directors

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

Chairman: Mr. Xuan Zongmin

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

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

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

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

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

According to Rule 3.10A of the Listing Rules of Hong Kong, independent non-executive Directors should represent at least one third of the Board of listed companies, according to which the Company has appointed adequate number of independent non-executive Directors. The Board has received the annual confirmation of each of the independent non-executive Directors’ independent capacity for the year 2017 and have recognized the independency of each of the independent non-executive Directors.

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

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

## 2. Record of attending board meetings and general meetings

Apart from the regular Board meetings, the Board met on other occasions when a board-level decision on a particular matter was required. For the year ended 31 December 2017, the Company held a total of 11 board meetings with an average attendance rate of 98%. The Directors received details of agenda items and minutes of the committee meetings in advance of each Board meeting. The Company kept detailed minutes for the business considered and approved on such meetings. The minutes are filed and kept by the Secretary to the Board.

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

For the year ended 31 December 2017, the Company held one general meeting.

The table below sets forth the details of attending board meetings and general meetings by the Directors in the year of 2017

	<b>Board meetings Meetings attended/to be attended</b>	<b>General Meeting attended/to be attended</b>
<b>Executive Directors</b>		
Mr. Xuan Zongmin (Chairman)	11/11	0/1
Mr. Tang Yinghai	11/11	1/1
Mr. Yao Hanxiong	11/11	0/1
Mr. Fei Dachuan (Resigned as Director effective from 25 August 2017)	5/5	0/1
Mr. Guo Junfa	10/11	0/1
<b>Non-executive Directors</b>		
Mr. Li Bin (Note)	6/7	0/1
Mr. Chen Min (Note)	7/7	0/1
<b>Independent Non-executive Directors</b>		
Mr. Gui Shouping	11/11	0/1
Mr. Peng Xiaolei (Resigned as Director effective from 1 November 2017)	7/7	0/1
Mr. Jin Wenzhou	11/11	0/1
Ms. Lu Zhenghua	11/11	0/1

## Notes:

Mr. Li Bin served as the head of strategic development department of GCGC, and Mr. Chen Min served as the head of the legal affairs department of GCGC. Therefore, in 2017, as each of them during their term of office as director was deemed to have a material interest in the below connected transactions agreements and the transactions contemplated thereunder, they had abstained from voting at the following Board meetings held to approve the related connected transactions agreements and respective transactions contemplated thereunder and were not counted for in the quorum for attending the meeting:

- (1) In the extraordinary board meeting held on 31 July 2017 for approving (among others) the resolutions in relation to the proposed annual caps for each of the three years ending 31 December 2019 of the Property Leasing Framework Agreement entered into between the Company and Yueyun Investment Management (a wholly-owned subsidiary of GCGC) and the transactions contemplated thereunder, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 31 July 2017.
- (2) In the extraordinary board meeting held on 11 August 2017 for considering (among others) (a) the resolutions in relation to the Equity Transaction Agreement entered into between Yueyun Langri and Yueyun Investment Management for acquisition of 100% equity interest in Yangjiang Transportation; and (b) the resolutions in relation to the supplement agreement to the Entrusted Management Agreement entered into between the Company and Yueyun Investment Management for the early termination of the entrusted management in Yangjiang Transportation, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 11 August 2017.
- (3) In the extraordinary board meeting held on 29 September 2017 for approving (among others) the resolutions in relation to the termination agreement of the Property Management Entrustment Framework Agreement entered into between Guangdong Yunxing Property Management Company Limited and Yueyun Investment Management, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 29 September 2017.
- (4) In the extraordinary board meeting held on 10 October 2017 for considering (among others) the resolutions in relation to the proposed annual caps for the year ended 31 December 2017 of the Asphalt Transportation Framework Agreement entered into between the South China Logistics Enterprise and Yueyun Investment Management and the transactions contemplated thereunder, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 10 October 2017.
- (5) In the extraordinary board meeting held on 21 December 2017 for considering (among others) the resolutions in relation to the Asset Swap Agreement entered into between the Company and Yueyun Investment Management and the relevant connected transactions contemplated thereunder, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 21 December 2017.
- (6) In the extraordinary board meeting held on 27 December 2017 for considering (among others) (a) the resolutions in relation to the proposed annual caps for each of the three years ending 31 December 2020 of the Refined Oil Supply Framework Agreement entered into between Guangdong Top-E and Yueyun Investment Management and the transactions contemplated thereunder; (b) the proposed annual caps for each year ending 31 December 2020 of renewal of continuing connected transactions, including entering into New Taiping Interchange Management Agreement, the new Guangdong and Hong Kong Transportation Branch Outsourcing Agreement, the New Weisheng Bus Outsourcing Agreement and the New Asphalt Transportation Services Framework Agreement and the relevant transactions contemplated thereunder; (c) the resolutions in relation to the proposed annual caps for each year ending 31 December 2019 of the Supplemental Property Leasing Framework Agreement entered into between the Company and Yueyun Investment Management and amendment to the Property Leasing Framework Agreement and the transactions contemplated thereunder, Mr. Li Bin and Mr. Chen Min had abstained from voting and were not counted for in the quorum for attending the meeting. For details, please refer to the Company's announcement dated 27 December 2017.

### 3. Responsibility and Operation of the Board

The Directors shall perform their duties in accordance with the relevant laws and regulations in a diligent manner. Board members connectively and individually accept the responsibility for the management and control of the Company for the interests of the Shareholders.

The main duties of the Board (among others) are: determining the business strategy of the Company, approving the operating plans and investment proposals of the Company, making out annual financial budget of the Company, bringing out profit distribution plan of the Company, ensuring and implementing prudent and effective internal control system as well as overseeing the performance of the management, convening general meetings and executing the resolutions passed in general meetings of the Company. The interests of Shareholders' and the Company are the primary concern for every member of the Board.

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

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

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

The division of power between the Board and management strictly complies with the Company's Articles of Association and relevant regulations. The management is responsible for implementing the policies and strategies of the Board, and is delegated with the daily operations and administration of the Company, ensuring that the effective operation and sustainable development of the Group.

#### 4. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions of Directors and Supervisors for the year ended 31 December 2017. The Company had made specific enquiries of all Directors and Supervisors and each of the Directors and Supervisors have confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2017.

#### 5. DIRECTORS’ TRAINING AND PROFESSIONAL DEVELOPMENT

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

The Company has distributed relevant information and/or provided training to Directors from time to time for communicating the relevant requirements in the aspects of laws and regulations and the Listing Rules to the Directors.

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

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

<b>Name of Directors</b>	<b>Reading materials</b>	<b>Participation in training</b>
Mr. Xuan Zongmin	√	
Mr. Tang Yinghai	√	
Mr. Yao Hanxiong	√	
Mr. Fei Dachuan (Resigned as Director effective from 25 August 2017)	√	
Mr. Guo Junfa	√	
Mr. Li Bin	√	
Mr. Chen Min	√	√
Mr. Gui Shouping	√	
Mr. Peng Xiaolei (Resigned as Director effective from 1 November 2017)	√	
Mr. Jin Wenzhou	√	
Ms. Lu Zhenghua	√	

## 6. COMMITTEES OF THE BOARD

In accordance with the requirements under the Listing Rules, the Company has established the Audit and Corporate Governance Committee, the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”). Meanwhile, the Company has also established the Strategy Committee and the Compliance Committee in accordance with its own requirements for governance.

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

### *(1) Audit and Corporate Governance Committee*

The primary duties of the Audit and Corporate Governance Committee are (among others): to provide advice to the Board regarding the appointment, re-appointment and dismissal of the external auditors; to review and monitor the external auditors as to whether they are independent and objective and whether their auditing procedures are valid in accordance with applicable standards; to monitor the completeness of the financial statements, annual reports and accounts, half-yearly reports of the Company, and review the material advice in respect of financial reporting as set out in the financial statements and reports; to review the financial control of the Company and review the risk management and internal control systems of the Company; to review the internal audit function of the Company; to review the financial and accounting policies and practices of the Company; to formulate the Company’s corporate governance policies, to perform corporate governance functions, and to review and monitor the corporate governance of the Company. The detailed terms of reference of the Audit and Corporate Governance Committee are set out in the Working Rules for the Audit and Corporate Governance Committee of the Board published on the websites of the Stock Exchange and the Company on 30 March 2016.

In the year of 2017, the members of the Audit and Corporate Governance Committee met regularly with the senior management of the Company and external auditors and reviewed the audit reports and financial statements of the Group, and listened to the work reports from the management and financial management department, and provided advice and recommendations to the management. The Audit and Corporate Governance Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2017 and recommended their adoption by the Board.

In the year of 2017, the members of the Audit and Corporate Governance Committee reviewed the effectiveness of the internal control and risk management systems (including measures on financial, operational, compliance control and risk management) and the internal audit functions of the Group by reviewing the work of the internal control and auditing departments of the Company and the external auditors and the report by the Company on risk management and internal auditing as well as reviewing the internal audit plan of the Company, ensuring that the efficiency of the business operation of the Company and achieving the goal and strategy of the Company.

The Audit and Corporate Governance Committee held two meetings during the year ended 31 December 2017 with an attendance rate of 100%. The Audit and Corporate Governance Committee members' attendance records of the Audit and Corporate Governance Committee's meetings for the year ended 31 December 2017 are set out below:

	<b>Meetings attended/ to be attended</b>	<b>Attendance rate</b>
Mr. Peng Xiaolei (Chairman) (Resigned on 1 November 2017)	2/2	100%
Mr. Li Bin	2/2	100%
Ms. Lu Zhenghua	2/2	100%

### **Functions of Corporate Governance**

The corporate governance policies of the Company were included in other internal regulations and systems of the Company, such as the Articles of Associations, the rules of procedure for the general meeting, the rules of procedure for the Board and the rules of procedure for the Supervisory Committee. The Audit and Corporate Governance Committee has reviewed the disclosures in the Corporate Governance Report of the Company for the year ended 31 December 2017 as per its responsibilities, and reviewed the corporate governance of the Company.



*(2) Remuneration Committee*

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

As at 31 December 2017, the Remuneration Committee comprised two independent non-executive Directors, Mr. Gui Shouping and Ms. Lu Zhenghua, and one non-executive Director, Mr. Li Bin. Mr. Gui Shouping is the chairman of the Remuneration Committee. The Remuneration Committee held one meeting during the year ended 31 December 2017 with an attendance rate of 100%. The Remuneration Committee proposed recommendations on the Company's remuneration policy for 2017.

The Remuneration Committee members' attendance records of the Remuneration Committee's meetings for the year ended 31 December 2017 are set out below:

	<b>Meetings attended/ to be attended</b>	<b>Attendance rate</b>
Mr. Gui Shouping (Chairman)	1/1	100%
Mr. Li Bin	1/1	100%
Ms. Lu Zhenghua	1/1	100%

*(3) Nomination Committee*

The primary duties of the Nomination Committee are (among others): to provide recommending standards and opinions on Director candidates according to the requirements of the Articles of Association and the Board Diversity Policy, to review the structure and composition of the Board and shall be accountable to the Board. The detailed terms of reference of the Nomination Committee are set out in the Working Rules for the Nomination Committee of the Board published on the websites of the Stock Exchange and the Company on 22 August 2013.

As at 31 December 2017, the Nomination Committee had one executive Director, Mr. Xuan Zongmin, and two independent non-executive Directors, Mr. Gui Shouping and Ms. Lu Zhenghua. Mr. Xuan Zongmin is the chairman of the Nomination Committee. The Nomination Committee held one meeting during the year ended 31 December 2017 with an attendance rate of 100%.

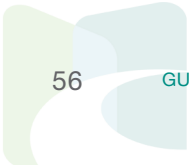
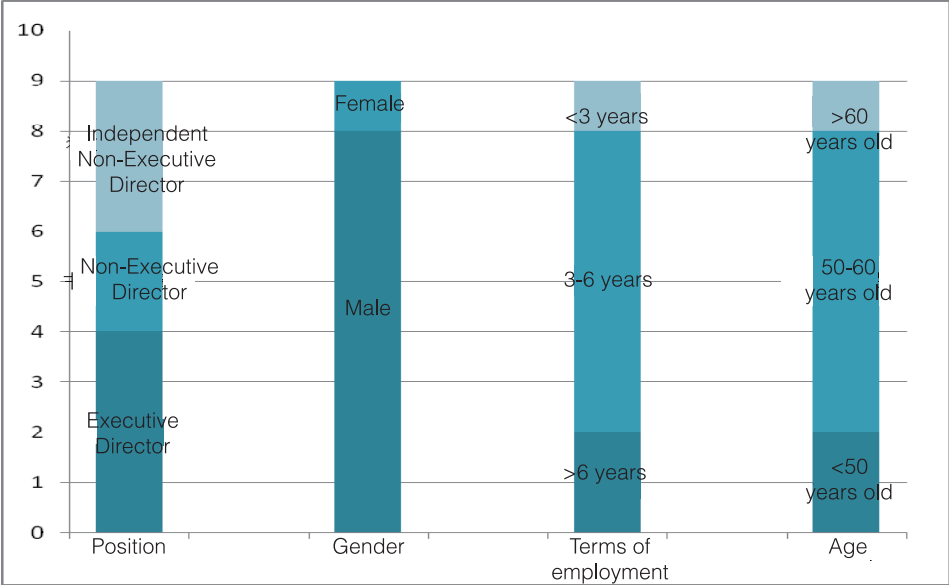
The Nomination Committee members' attendance records of the Nomination Committee's meetings for the year ended 31 December 2017 are set out below:

	<b>Meetings attended/to be attended</b>	<b>Attendance rate</b>
Mr. Xuan Zongmin (Chairman)	1/1	100%
Mr. Gui Shouping	1/1	100%
Ms. Lu Zhenghua	1/1	100%

**Board Diversity Policy**

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

**Board Diversity Mix as at 31 December 2017**



#### (4) Strategy Committee

The Strategy Committee is established in accordance with the requirements of the governance and control of the Company, primarily responsible for studying and making recommendations on the long-term development strategies and the decision-making on significant investments of the Company. It comprises three members, of which Mr. Xuan Zongmin, an executive Director, is the chairman of the Strategic Committee, and other two members are Mr. Tang Yinghai, an executive Director, and Mr. Gui Shouping, an independent non-executive Director. The Strategy Committee held one meeting during the year ended 31 December 2017 with an attendance rate of 100%.

#### (5) Compliance Committee

The Compliance Committee is established in accordance with the requirements of the governance and control of the Company, primarily responsible for overseeing the compliance of the connected transactions of the Group and making relevant recommendations to the Board. It comprises three members, of which Mr. Xuan Zongmin, an executive Director, is the chairman of the Compliance Committee, and other two members are Mr. Tang Yinghai, an executive Director, and Mr. Yao Hanxiong, an executive Director.

### SUPERVISORY COMMITTEE

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

For the year ended 31 December 2017, the Supervisory Committee reviewed and examined the financial position and the legal compliance of the operations of the Company and performed its duties under the principles of due care through conducting special inspections and convening the Supervisory Committee’s meetings and attending the Board meetings of the Company.

During the year ended 31 December 2017, the Supervisory Committee held one meeting with an average attendance rate of 83%.

### FEES OF THE EXTERNAL AUDITOR

The Company has appointed KPMG Huazhen LLP as the independent auditor of the Company. The fees for the audit and non-audit services provided by the above auditor to the Group for the year ended 31 December 2017 amounted to RMB9,120,000 (tax included), of which RMB7,740,000 was audit service fees, and RMB1,380,000 was non-audit service fees (including interim review fees and professional service fees relating to the circular of asset swap). Meanwhile, the fees for the consulting services provided by KPMG Advisory (China) Limited to the Company for the year ended 31 December 2017 amounted to RMB1,300,000.

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

The Company has received the confirmation of independence from the external auditor. The Board and the Audit and Corporate Governance Committee have no disagreement in respect of appointing of external auditor.

## COMPANY SECRETARY

As at 31 December 2017 and the date of this report, Ms. Zhang Li served as the company secretary of the Company and was responsible for, amongst other things, ensuring that the Group complied with all obligations imposed by the Listing Rules and the Code on Takeovers and Mergers and Share Buy-backs.

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

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

## GENERAL MEETINGS

### 1. Shareholders' Rights

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

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

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

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

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

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

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

## **2. The 2016 Annual General Meeting held on 13 June 2017**

On 13 June 2017, the Company held the 2016 Annual General Meeting to consider and approve six ordinary resolutions including the Directors' Report, the Supervisors' Report, the Auditor's Report and audited financial statements for the year ended 31 December 2016, the payment of a final dividend of 2016, appointment of KPMG Huazhen LLP as the auditor of the Company and determine the remuneration of the Directors and Supervisors. All resolutions proposed to the shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

## **3. The Extraordinary General Meeting held on 19 March 2018**

On 19 March 2018, the Company held the extraordinary general meeting to consider and approve one ordinary resolution including the Asset Swap Agreement and the transactions contemplated thereunder, and one special resolution proposed amendments to the Articles of Associations. All resolutions proposed to the shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

#### 4. The 2017 Annual General Meeting will be held on 19 June 2018

The Company's 2017 annual general meeting ("2017 AGM") will be held on 19 June 2018. Notice of the 2017 AGM will be dispatched together with the 2017 annual report. Notice of the AGM, the proxy form and reply slip will be published on the websites of the Company and the Stock Exchange. The voting results of the proposed resolutions will be announced on the websites of the Company and the Stock Exchange immediately after the 2017 AGM is held. All Shareholders are encouraged to attend the 2017 AGM and exercise their rights to vote.

The register of members of the Company will be closed in order to determine the qualification of Shareholders to attend and vote at the 2017 AGM. The details are as follows (all dates and time are Hong Kong time):

##### To determine the qualification of Shareholders to attend and vote at the 2017 AGM:

Deadline for lodging transfer documents for registration	4:30 p.m. on Friday, 18 May 2018
Closure of register of members	Saturday, 19 May 2018 to Tuesday, 19 June 2018 (both days inclusive)
Record date	Tuesday, 19 June 2018

The register of members of the Company will be closed during the above periods. In order to determine the qualification of H-Share holders to attend and vote at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the above mentioned deadlines.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 21 December 2017, the Board agreed to request the Shareholders to consider the special resolution on proposed amendments to the Articles of Association at the extraordinary general meeting, the purposes of which are set out below:

- according to "Several Opinions on Upholding the Leadership of the Party and Strengthening the construction of the Party when Deepening the Reform of the State-owned Enterprises" (《關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》) issued by the Central Committee of the Communist Party of China, the Board has proposed the amendments to the Articles of Association by incorporating the general requirements of the construction of Communist Party of China in the Articles of Association; and
- since the business licence number has been unified to the unified social credit code after the coercive national standard GB 32100-2015 — "Coding Rules for the Unified Social Credit Codes of Legal Persons and Other Organizations" 《法人和其他組織統一社會信用代碼編碼規則》 promulgated by the Standardization Administration of China becoming effective on 1 October 2015, the Board has proposed the change of the business licence number in the General Provision of the Articles of Association to the unified social credit code.

The aforesaid amendments to the Articles of Association have been approved by the Shareholders in the extraordinary general meeting held on 19 March 2018 and registered for changes with Administration of Industry and Commerce of Guangdong Province, with formal effect from 30 March 2018.

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

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

Please refer to the announcement dated 21 December 2017 and the circular dated 31 January 2018 of the Company for details.

## RISK MANAGEMENT AND INTERNAL CONTROL

### 1. Management System and Structure

The Company and its subsidiaries have established risk management system in accordance with the internal rules and regulations relating to risk prevention and management such as Risk Management and Internal Control Management Measures. When performing their work duties, the management, each of the business departments and the staff need to strictly comply with relevant corporate rules and workflows and shoulder responsibility for their conduct and performance. The Company's risk management and internal control systems are designated to manage significant risks rather than eliminate risks of failure to achieve business objectives, nor shall the systems make any reasonable and discretionary assurance that the Company will not have material misstatement or significant losses.

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

The Audit and Corporate Governance Committee reviews half-yearly the operation of the risk management and internal control systems. The committee listened to the report on risk management and internal audit work of the Company for the periods ended 31 December 2016 and 30 June 2017, respectively, at two meetings of the Audit and Corporate Governance Committee held in 2017, and reviewed and reported the effectiveness of the internal control and risk management systems of the Company to the Board.

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

## 2. Financial Control

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

The Company is responsible for the truthfulness and completeness of the financial statements. The Company has engaged external auditors with good reputation and strong professionalism through public tender to audit its financial statements. The auditor has issued standard unqualified audit reports over the years.

The auditor engaged by the Company conducted the audit in accordance with the professional standards, and proposed management recommendations on their observations during the course of audit. With these management recommendations, the Company took measures to improve business operation, enhance risk control and prevent risk.

The Company attaches great importance to its financial internal control, formulates an optimized financial rule and system and developed a financial system mechanism. The Company fully implements the financial control requirements through various aspects such as risk identification, risk measurement and risk control.

Through comprehensive budget management, the Group arranges to make adjustments to its operation plan in due time by comparing its operating results with the budget targets in order to improve the operational efficiency of its funds and reduce its operation and management risks. The Company carries out various processes towards investment projects, such as feasibility studies, tender and settlement upon completion to strictly control the lawfulness and reasonableness of fund usage. It also established a specific ledger in order to control the budget of fund management and its usage.

## 3. Legal Affairs Management and Compliance Control

In the ordinary course of the Company's operations, external expansion and information disclosure, the Company strictly abides by relevant laws and regulations and regulatory requirements to have legal affairs management and compliance and regulation go through all processes of the Company from decision, execution to supervision and cover or even permeate all procedures and all aspects of the Company's operation and management. In addition to engagement of its standing legal advisors, the Company also has in place a legal affairs department and designated legal personnel to provide compliance opinions on its significant operation decisions and the entering into of contracts. In 2017, the legal review rate of business contracts, management rules and major events was 100%. With regards to significant investment and operation decisions, the Group engages specialized legal advisor to perform due diligence with the aim of giving legal opinions so as to ensure compliance with laws and regulations of the Company's operation and management, safety of its assets, truth and completeness of its financial reports and the relevant information. In 2017, the Company invited external legal advisors to hold trainings on legal affairs in respect of corporate merger and acquisition according to the specific condition of its business development, so as to enhance the Group's awareness of legal risk prevention and compliance in respect of corporate merger and acquisition.



#### 4. Risk Management

The Company comprehensively teases out and optimizes important procedures in accordance with Risk Management and Internal Control Management Measures, including but not limited to the Group's fund activities, purchasing business, asset management, sales business, research and development, engineering project, guarantee business, business outsourcing, financial report and overall budget; manages and controls key points of risk; proposes rectification opinions on the existing problems found during the process of risk inspection and follows the rectification for ensuring that the problems can be rectified effectively; meanwhile, the Company continues to update "risk events database" for controlling the risk from the origin.

The Company has formulated the Internal Guidance on Information Disclosure and the Management Measures for Confidentiality and Registration of Inside Information. The Company handles and disseminates inside information according to the procedures stipulated in the Internal Guidance on Information Disclosure, and manage information insiders to cause them to comply with their confidentiality obligations according to the Management Measures for Confidentiality and Registration of Inside Information.

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

#### 5. Internal Audit

In 2017, the supervision and audit department completed the internal audit works for various subsidiaries of the Group, which practically performed the functions of internal audit supervision, service and assessment by conducting a total of 196 audit projects, and provides internal audit report and recommendations to the management, the Audit and Corporate Governance Committee and the Board.

The Company paid attention to the proper rectification of audit problems and liability investigation of audit problems, which organized to "review" the problems found in the internal audit in recent three years in 2017, and further reviewed and ensured the rectification result; meanwhile, two accountability systems were established in 2016, namely Accountability Measures (Trial) (《責任追究辦法(試行)》) and Asset Loss Liability Accountability Implementation Rules (Trial) (《資產損失責任追究實施細則(試行)》), for promoting audit problem rectification and ascertaining audit problem liability. In order to enhance the efficiency of problems rectification found in the audit, the Company launched and established the audit problems rectification and tracking system in 2017 so as to explore informalized means to enhance the audit rectification efficiency.

## INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In respect of any disclosable and significant event, the Company will make accurate and complete information disclosure through the publication of announcements, notices, circulars, interim and annual reports in a timely manner on the websites of the Stock Exchange and the Company, pursuant to the disclosure requirements under the Listing Rules. This is to ensure the right to information of the Shareholders; meanwhile, the Directors believe that transparency will enable the Shareholders and investors to make the best investment decisions. The Company also uses voluntary announcements to disclose the latest business development of the Group.

The Company has established a specialized team responsible for investor relations. Placing strong emphasis on communication with investors, the Company considers that maintaining on-going and open communications with investors could enhance investors' understanding of and confidence in the Company as well as improving its corporate governance standards. The Company actively strengthens the investor relationship management, which constantly communicates with investors and analysts admittedly and sufficiently as well as maintains close communications with analysts, fund managers and investors through different channels, such as results press conferences, non-deal roadshows, strategic conferences, company research and study and audio conferencing, so that investors may have a better understanding of the Company's management philosophy, operating environment and development strategies.

Investors and the public can access the Company's website at (<http://www.gdyueyun.com>) to understand extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information posted.

The Board presents the report of the Directors for the year ended 31 December 2017 together with the audited financial statements of the Group for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The Group was principally engaged in the provision of travel services, modern logistics and resources development businesses. The Company is an investment holding company and details of the principal activities of its principal subsidiaries are set out in the Note 4 to the financial statements.

## BUSINESS REVIEW

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

## RESULTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2017 are set out in the consolidated income statement. The financial highlights of the Group for the year ended 31 December 2017 are set out on pages 4 to 5 in this annual report, and the results and financial position for the year ended 31 December 2017 prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant regulations (the "ASBE") are set out on pages 100 to 115 in the audited financial statements of this annual report.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2017 as well as the last five financial years are set out on page 36 in this annual report.

## DIVIDEND

### 1. *Proposed Payment of Final Dividend*

On 21 March 2018, the Board recommended the distribution of the final dividend of 2017 in cash of RMB0.16 before tax per share. The relevant dividend payment proposal will be submitted to the 2017 AGM for consideration. If the approval of dividend payment is obtained from the Shareholders, the Company expects that the final dividend will be paid on or around Tuesday, 21 August 2018.

The proposed final dividend payment will be distributed based on the total issued share capital of the Company of 799,847,800 shares. Dividends will be denominated and declared in RMB and dividends for holders of domestic shares will be distributed and paid in RMB, while dividends for holders of H shares will be declared in RMB but paid in Hong Kong dollars. The conversion of RMB into HK\$ shall be calculated based on the average price of the medium prices for conversion of RMB into HK\$ announced by the People's Bank of China five working days preceding the 2017 AGM.

2. *Taxation*

According to the Law on Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China adopted in 2008, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the 2017 final dividend to non-resident enterprise shareholders of overseas H shares (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members at 4:30 p.m. on Thursday, 28 June 2018.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (CaiShuiZi [1994] No.020) 財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994] 020號), individual shareholders of overseas H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Thursday, 28 June 2018 and whose registered addresses are located in the Hong Kong or outside China are exempted from individual income tax of the PRC when distribution of 2017 final dividend of the Company is made.

Pursuant to the Individual Income Tax Law of the People's Republic of China and its implementation rules and regulations, the Company shall be obliged to withhold 20% individual income tax when it distributes the 2017 final dividend to individual shareholders of H shares whose names appear on the H share register of members at 4:30 p.m. on Thursday, 28 June 2018 and whose registered addresses are located in China.

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

3. *Closure of Register of Members*

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

Deadline for lodging transfer documents for registration	4:30 p.m. on Friday, 22 June 2018
Closure of register of members	Saturday, 23 June 2018 to Thursday, 28 June 2018 (both days inclusive)
Record date	Thursday, 28 June 2018

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

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2017, the Group's total purchases attributable to the Group's five largest suppliers were 33%, and the Group's aggregate sales attributable to the Group's five largest customers were 17%.

The purchases attributable to the largest supplier of the Group represented 16% of total purchases of the Group for the year ended 31 December 2017.

The sales attributable to the largest customer of the Group represented 5% of total sales of the Group for the year ended 31 December 2017.

Save as disclosed above, in 2017, none of the Directors, the Supervisors or their respective associates or any Shareholders of the Company who, to the best knowledge of the Directors, held more than 5% of the issued share capital of the Company, had any interest in the five largest suppliers or the five largest customers of the Group for the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 and details of the distributable reserves of the Company as at 31 December 2017 are set out in note V 40 to the financial statements prepared in accordance with the ASBE.

## STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note V 41 to the financial statements prepared in accordance with the ASBE.

## INVESTMENT PROPERTIES AND FIXED ASSETS

Particulars of the movements in investment properties and fixed assets of the Group and the Company during the year ended 31 December 2017 are set out in notes V 11 and 12 to the financial statements.

## RELATIONSHIP WITH EMPLOYEES

The Group believes that staffs are important and valuable assets and thus we have always attached great importance to the contribution and support of staff and create career development platform for our staffs, organize various types of training to promote their career development, offer reasonable remuneration and benefit packages, actively establish harmonious relationships between the Group and staffs, allow staffs to share the development achievements and realise the mutual growth of our staffs and the Group.

In 2017, the Company was awarded the title of the "Best Employer Enterprise in Guangdong Province for 2017" sponsored by Guangdong Provincial Enterprises Confederation and Guangdong Provincial Association of Entrepreneurs.

## RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

## ENVIRONMENTAL POLICY AND PERFORMANCE

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

The Group abides by laws, regulations, standards and other provisions relating to environmental protection, insists on simultaneous development and energy conservation, carries out investment and conservation simultaneously, establishes and implements the environmental management system, and includes environmental protection principles and methods in the Company's business decision making. The Group persists in integrating environmental protection and energy conservation into the whole process of production, operations management and project construction, improves the Company's management appraisal rules such as "Measures for the Administration of Environmental Protection", "Measures for Handling Production Safety and Environmental Incidents" and "Measures for Safety and Environmental Protection Appraisal", reduces energy consumption, implements green office and green procurement, conducts environmental protection assessments on engineering construction projects in an all-round manner, and promotes the green development of the enterprise. In 2017, the Group's "Near-zero Carbon Emission Zone Demonstration Engineering Pilot Project of Shanwei City Yueyun Public Transportation Co., Ltd." and "Near-zero Carbon Emission Zone Demonstration Engineering Pilot Project of Foshan City Yueyun Public Transportation Co., Ltd." was awarded the title of "Transportation Energy-saving and Emission Reduction Demonstration Project for 2017" issued by China Association of Communication Enterprise Management.

For details about the environmental policies and performance of the Group, please refer to the "2017 Environmental, Social and Governance Report" to be issued by the Company.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company is a joint stock limited company established under the Company Law of the People's Republic of China. The Group is mainly engaged in travel service, modern logistics and resources development businesses. The Group is required to comply with the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Road Transportation Safety Law of the People's Republic of China and the Tendering and Bidding Law of the People's Republic of China and all other applicable laws and regulations during our normal operating activities. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2017. The Company and its subsidiaries have obtained all significant licenses, approvals and permits for the operation of business from relevant regulatory authorities.

As the Company is listed on the Stock Exchange, and the Group operates cross-border transportation business between Guangdong Province and Hong Kong. For the year ended 31 December 2017, as far as the Board and management are aware, the Group had also complied with the Listing Rules, Hong Kong Companies Ordinance, the Securities and Futures Ordinance and applicable laws and regulations in Hong Kong.

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

## COMPETING INTEREST

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

## DIRECTORS AND SUPERVISORS

The Directors who were under current term of office during the year ended 31 December 2017 and up to the date of this report are as follows:

<b>Name</b>	<b>Date of Appointment as Director</b>	<b>Date of Resignation as Director</b>
<b>Executive Directors</b>		
Mr. Xuan Zongmin (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	N/A
Mr. Tang Yinghai (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	N/A
Mr. Yao Hanxiong	18 December 2012	N/A
Mr. Guo Junfa	18 December 2012	N/A
Mr. Fei Dachuan	4 April 2014	25 August 2017
<b>Non-executive Directors</b>		
Mr. Li Bin	18 December 2012	N/A
Mr. Chen Min	7 June 2016	N/A
<b>Independent Non-executive Directors</b>		
Mr. Gui Shouping	2 February 2004	N/A
Mr. Jin Wenzhou	4 April 2014	N/A
Ms. Lu Zhenghua	7 June 2016	N/A
Mr. Peng Xiaolei	2 February 2004	1 November 2017

The Supervisors who were under current term of office during the year ended 31 December 2017 and up to the date of this report are as follows:

<b>Name</b>	<b>Date of Appointment as Supervisor</b>	<b>Date of Resignation as Supervisor</b>
Mr. Hu Xianhua	7 June 2016	N/A
Mr. Wang Qingwei	7 June 2016	N/A
Mr. Dong Yihua	7 June 2016	N/A
Mr. Lin Hai	7 June 2016	N/A
Mr. Zhen Jianhui	15 April 2014	N/A
Ms. Li Xiangrong	7 June 2016	N/A
Ms. Lian Yuebin	15 August 2017	N/A
Ms. Du Wanyan	7 June 2016	25 January 2017
Mr. Zhang Deyou	17 April 2017	22 July 2017

### INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

### BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND MEMBERS OF THE SENIOR MANAGEMENT

The biographies of Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 37 to 46 in this annual report.



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

As at 31 December 2017, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

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

Name of Associated Corporation	Name of Director/ Supervisor	Nature of Interests	Number of Shares Held	Approximate percentage in relevant class of share capital
Guangdong Expressway	Zhen Jianhui	Personal	9,209	0.0005%

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management officers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Details of the remuneration of the Directors and Supervisors of the Company and the five highest paid individuals of the Group are set out in the notes VI 4 (7) to the financial statements prepared in accordance with the ASBE. There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2017. Pursuant to B.1.5 of the CG Code, the remuneration range of the members of the senior management (including the executive Directors) for the year ended 31 December 2017 is set out below:

Remuneration range (RMB)	Number of Persons
Below 300,000	4
300,000 to 500,000	4
500,000 to 700,000	8
700,000 to 900,000	5

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

As at 31 December 2017, no Director or Supervisor had entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

In addition to the service contracts with the Company, none of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

## PERMITTED INDEMNITY PROVISIONS

In 2017, the Company had made an appropriate insurance arrangement in respect of costs associated with legal proceedings that may be brought against its Directors, Supervisors and senior management arising from negligence during the course of the performance of their duties.

## BOARD COMMITTEES

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

## CONTINUING CONNECTED TRANSACTIONS

1. Pursuant to Chapter 14A of the Listing Rules, details of the following continuing connected transactions of the Group for the year ended 31 December 2017 which are required to be disclosed in the annual report of the Company are described below:

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

<b>Continuing Connected Transactions</b>	<b>Annual Transaction Amount Caps</b>
<p>(a) On 15 September 2005, the Company and GCGC entered into a first right of operation agreement (the "<b>First Right of Operation Agreement</b>"), pursuant to which the Company has been granted preferential rights by GCGC. When exercising such preferential rights, members of the Group entered into individual agreements with owners of each of the expressways, which were companies under GCGC Group. The independent shareholders of the Company had approved the proposed annual caps for each of the three years ended 31 December 2019 in respect of the Individual Agreements entered into by the Group and companies under GCGC Group pursuant to the First Right of Operation Agreement at the extraordinary general meeting held on 8 December 2016.</p> <p>Please refer to the announcements dated 19 September 2016 and 8 December 2016 and the circular dated 21 October 2016 of the Company for details.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB171,273,000, RMB177,315,000 and RMB197,461,000, respectively</p>
<p>(b) On 27 September 2005, the Company and GCGC entered into a material logistics service master agreement (the "<b>Material Logistics Service Master Agreement</b>"), pursuant to which the Group provides material logistics service to GCGC Group, with a term of three years. Subject to the relevant requirements of the Listing Rules, the Material Logistics Service Master Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such term. The independent shareholders of the Company had approved the renewal of the Material Logistics Service Master Agreement and the proposed annual caps thereof for each of the three years ended 31 December 2019 at the extraordinary general meeting held on 8 December 2016.</p> <p>Please refer to the announcements dated 19 September 2016 and 8 December 2016 and the circular dated 21 October 2016 of the Company for details.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB1,989,140,000, RMB2,136,040,000 and RMB877,600,000, respectively</p>

**Continuing Connected Transactions**

- (c) On 27 September 2005, the Company and GCGC entered into a material purchase master agreement (the "**Material Purchase Master Agreement**"), pursuant to which the Group purchases construction materials from GCGC Group pursuant to the execution agreements under the Material Purchase Master Agreement, with a term of three years. Subject to the relevant requirements of the Listing Rules, the Material Purchase Master Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such term. The independent shareholders of the Company had approved the renewal of the Material Purchase Master Agreement and the proposed annual caps thereof for each of the three years ended 31 December 2019 at the extraordinary general meeting held on 8 December 2016.

Please refer to the announcements dated 19 September 2016 and 8 December 2016 and the circular dated 21 October 2016 of the Company for details.

- (d) The Company (on behalf of itself and its subsidiaries) entered into a financial services agreement and supplemental agreement (collectively "**Financial Services Agreement**") with Guangdong Provincial Communication Group Finance Company Limited ("**GCG Finance**") on 18 March 2016 and 2 June 2016, respectively, pursuant to which GCG Finance provides financial services (including deposit services, credit services and other financial services) to the Group for a term commencing from 5 August 2016 to 31 December 2018. The independent shareholders of the Company had approved the renewal of the Financial Services Agreement and the proposed annual caps thereof for each of the three years ended 31 December 2018 at the extraordinary general meeting held on 5 August 2016.

Please refer to the announcements dated 18 March 2016, 2 June 2016 and 5 August 2016 and the circular dated 15 June 2016 of the Company for details.

**Annual Transaction Amount Caps**

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB615,830,000, RMB826,110,000 and RMB260,370,000, respectively

The maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion for each of the years ending 31 December 2016, 2017 and 2018

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

#### Continuing Connected Transactions

- (e) On 13 September 2016, Guangdong Yueyun Jia Fu Industrial Ltd. ("**Yueyun Jiafu**", a subsidiary of the Company) and Weisheng Dongguan International Logistic Co., Ltd. ("**Weisheng Logistics**", a subsidiary of GCGC) entered into the Asphalt Transportation Services Agreement (the "**Asphalt Transportation Services Agreement**"), pursuant to which the parties agreed that Yueyun Jiafu will entrust Weisheng Logistics to conduct transportation management services for asphalt products for a term commencing from 13 September 2016 and ending on 31 December 2017, subject to the terms of the Asphalt Transportation Services Agreement.

Please refer to the announcement dated 13 September 2016 of the Company for details.

On 10 October 2017, South China Logistics Enterprise and Weisheng Logistics entered into the Asphalt Transportation Services Framework Agreement (the "**Asphalt Transportation Services Framework Agreement**") to govern the existing and future asphalt transportation services agreements between South China Logistics Enterprise and its subsidiaries and Weisheng Logistics. The term of the Asphalt Transportation Services Framework Agreement commences from 10 October 2017 and ends on 31 December 2017.

Please refer to the announcement dated 10 October 2017 of the Company for details.

On 27 December 2017, South China Logistics Enterprise and Weisheng Logistics entered into a new asphalt transportation services framework agreement with a term commencing from 1 January 2018 and ending 31 December 2020.

Please refer to the announcement dated 27 December 2017 of the Company for details.

#### Annual Transaction

#### Amount Caps

The caps of transactions for the years ended 31 December 2016 and 2017 are RMB7,120,000 and RMB13,800,000, respectively

The cap of transactions for the year ended 31 December 2017 is RMB34,110,000

The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB14,400,000, RMB12,000,000 and RMB9,600,000, respectively

**Continuing Connected Transactions**

- (f) On 30 December 2014, the Company and Guangdong Humen Bridge Company Limited ("**Humen Bridge Company**", an associate of GCGC and therefore a connected person of the Company under Chapter 14A of the Listing Rules) entered into an entrusted operation management contract (the "**Entrusted Operation Management Contract**"), pursuant to which the Company engaged Humen Bridge Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange for the period from 1 January 2015 to 31 December 2017.

Please refer to the announcement dated 30 December 2014 of the Company for details.

On 27 December 2017, the Company and Humen Bridge Company entered into a new entrusted operation management contract, pursuant to which the Company engaged Humen Bridge Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange for the period from 1 January 2018 to 31 December 2020. The term may be automatically renewed for three years upon expiry on 31 December 2020 subject to compliance with the relevant requirements under the Listing Rules if there is no objection from any parties.

Please refer to the announcement dated 27 December 2017 of the Company for details.

**Annual Transaction  
Amount Caps**

The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are RMB4,700,000

The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB4,800,000

**Continuing Connected Transactions**

- (g) On 26 February 2015, GD-HK Company and Weisheng Transportation Enterprises Company Limited ("**Weisheng**", a subsidiary of GCGC and a connected person of the Company under Chapter 14A of the Listing Rules) entered into the GD-HK Transportation Branch Outsourcing Agreement, pursuant to which GD-HK Company outsourced the operation of GD-HK Transportation Branch to Weisheng for a term commencing from 1 March 2015 and ending on 31 December 2017.

Please refer to the announcement dated 26 February 2015 of the Company for details.

On 27 December 2017, GD-HK Company and Weisheng entered into a new GD-HK Transportation Branch Outsourcing Agreement, pursuant to which GD-HK Company outsourced the operation of GD-HK Transportation Branch to Weisheng for a term commencing from 1 January 2018 and ending on 31 December 2020.

Please refer to the announcement dated 27 December 2017 of the Company for details.

- (h) On 26 February 2015, GD-HK Company and Weisheng entered into the Weisheng Bus Outsourcing Agreement, pursuant to which Weisheng outsourced the operation of Weisheng Bus to GD-HK Company for a term commencing from 1 March 2015 and ending on 31 December 2017.

Please refer to the announcement dated 26 February 2015 of the Company for details.

On 27 December 2017, GD-HK Company and Weisheng entered into a new Weisheng Bus Outsourcing Agreement, pursuant to which Weisheng outsourced the operation of Weisheng Bus to GD-HK Company for a term commencing from 1 January 2018 and ending on 31 December 2020.

Please refer to the announcement dated 27 December 2017 of the Company for details.

**Annual Transaction Amount Caps**

The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are HK\$27,030,000, HK\$28,880,000 and HK\$30,920,000, respectively

The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are HK\$18,000,000

The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are HK\$15,940,000, HK\$17,020,000 and HK\$18,190,000, respectively

The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are HK\$9,400,000

**Continuing Connected Transactions**

- (i) On 9 August 2006, the Company and GCGC entered into a Taiping Interchange repair services master Agreement (the “**Taiping Interchange Master Agreement**”), pursuant to which GCGC Group provide repair and renovation services for the Taiping Interchange to the Group pursuant to the execution agreements under the Taiping Interchange Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. On 31 October 2016, the parties to the Taiping Interchange Master Agreement agreed to renew the term of the Agreement for a further term of three years commencing on 1 January 2017 and ending on 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

- (j) On 30 September 2013, the Company and GCGC entered into a rescue services entrustment master agreement (the “**Rescue Services Entrustment Master Agreement**”), pursuant to which the Group provides the GCGC Group with rescue services pursuant to the execution agreements under the Rescue Services Entrustment Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. On 31 October 2016, the parties to the Rescue Services Entrustment Master Agreement agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

**Annual Transaction Amount Caps**

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB34,940,000, RMB20,870,000 and RMB30,560,000, respectively

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB66,718,000, RMB67,424,000 and RMB71,167,000, respectively



**Continuing Connected Transactions**

- (k) On 30 September 2013, the Company and GCGC entered into an information systems services master agreement (the “**Information Systems Services Master Agreement**”), pursuant to which GCGC Group will provide the Group with information system services, including construction of information systems, maintenance of information systems, software development and other information technology related services pursuant to the execution agreements under the Information Systems Services Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Information Systems Services Master Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. On 31 October 2016, the parties to the Information Systems Services Master Agreement agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

- (l) On 27 September 2005, the Company and GCGC entered into a transportation intelligence services and other auxiliary services master agreement (the “**Transportation Intelligence Services and Other Auxiliary Services Master Agreement**”), pursuant to which the Group provides transportation intelligence services to GCGC Group pursuant to the execution agreements under the transportation intelligence services and other auxiliary services master agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. The Group ceased to operate transportation intelligence services since 2013, but operate other auxiliary services. On 31 October 2016, the parties to the Transportation Intelligence Services and Other Auxiliary Services Master Agreement agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

**Annual Transaction Amount Caps**

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB3,306,000, RMB5,065,000 and RMB3,310,000, respectively

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB12,719,000, RMB12,089,000 and RMB12,117,000, respectively

**Continuing Connected Transactions**

- (m) On 31 October 2016, the Company (as lessee) and Yueyun Investment Management (as lessor) entered into a leasing agreement (the "**Leasing Agreement**") in respect of the lease of the 8th floor of Yueyun Building for use as restaurant premises and the lease of the 17th, 18th, 19th, 21st, 23rd, 24th, 25th, 26th and 27th floors of Yueyun Building for use as office premises for a term from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

On 31 October 2016, Highway Media (as lessee) and Yueyun Investment Management (as lessor) entered into a lease agreement (the "**New Lease Agreement**") in respect of the leasing of premises of units A1, B, C, D and E of 5th floor and units A, B, C, D, E, F and G of 6th floor of Yueyun Building for office purpose for a term from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

On 31 July 2017, the Company (as lessee) and Yueyun Investment Management (as lessor) entered into the Property Leasing Framework Agreement, pursuant to which the Group may lease the properties of Yueyun Investment Management or its subsidiaries. Following the signing of the Property Leasing Framework Agreement, the relevant transactions under the above leasing agreement and the new leasing agreement are also subject to the Property Leasing Framework Agreement and their respective annual caps of transactions are also included in the proposed annual caps under the Property Leasing Framework Agreement. The agreement has an initial term of three years. The term of the agreement commences from 31 July 2017 and ends on 31 December 2019. The parties may renew the Property Leasing Framework Agreement for three years through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.

Please refer to the announcement dated 31 July 2017 of the Company for details.

**Annual Transaction Amount Caps**

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB5,144,158

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB1,267,533, RMB1,390,348 and RMB1,486,900, respectively

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB8,928,000, RMB10,896,000 and RMB11,324,000, respectively

### Continuing Connected Transactions

On 27 December 2017, the Company and Yueyun Investment Management entered into the Supplemental Property Leasing Framework Agreement to amend certain terms of the Property Leasing Framework Agreement such that the property management fees and other relevant charges and expenses in relation to the properties leased by the Company or its subsidiaries, pursuant to the Property Leasing Framework Agreement shall be payable to Yueyun Investment Management or its entrusted property management agencies and that the caps for the years ended 31 December 2018 and 2019 were amended.

Please refer to the announcement dated 27 December 2017 of the Company for details.

- (n) On 31 October 2016, the Company as supplier and Yueyun Investment Management as purchaser entered into a product supply framework agreement in relation of supply of convenience store merchandise for a term from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

- (o) On 11 December 2015, the Company and Yueyun Investment Management entered into the entrusted management agreement (the “**Entrustment Management Agreement**”), pursuant to which Yueyun Investment Management entrusted its 100% equity interest in Meizhou Yueyun, 80% equity interest in Shenzhen Yueyun Investment Development Company Limited and 100% equity interest in Yangjiang Transportation and the business operation of such companies to the Company for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

Please refer to the announcement dated 11 December 2015 of the Company for details.

### Annual Transaction Amount Caps

The caps of transactions for the years ended 31 December 2018 and 2019 are RMB16,400,000 and RMB16,800,000, respectively

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB4,256,000, RMB4,970,000 and RMB6,470,000, respectively

The caps of transactions for each of the years ended 31 December 2016, 2017 and 2018 are RMB7,662,000

**Continuing Connected Transactions**

On 11 August 2017, the Company and Yueyun Investment Management entered into the supplementary agreement to the entrusted management agreement, pursuant to which Yueyun Investment Management should terminate the entrusted management of the 100% equity interest in Yangjiang Transportation and amend the annual caps of the entrusted management fees under the entrusted management agreement for the years ended 31 December 2017 and 2018.

Please refer to the announcement dated 11 August 2017 of the Company for details.

- (p) On 31 October 2016, Guangdong Yunxing Property Management Company Limited ("**Yunxing Property Management**", a subsidiary of the Company) (as appointee) and Yueyun Investment Management (as appointor) entered into a property management entrustment framework agreement (the "**Property Management Entrustment Framework Agreement**"), pursuant to which Yunxing Property Management was engaged by Yueyun Investment Management for the provision of property management services in respect of Yueyun Building and other relevant properties for a term from 1 January 2017 to 31 December 2019.

Please refer to the announcement dated 31 October 2016 of the Company for details.

On 29 September 2017, Yunxing Property Management and Yueyun Investment Management entered into a termination agreement to the Property Management Entrustment Framework Agreement, pursuant to which Yunxing Property Management and Yueyun Investment Management agreed to terminate the Property Management Entrustment Framework Agreement and both parties no longer have any rights and obligations under the Property Management Entrustment Framework Agreement.

Please refer to the announcement dated 29 September 2017 of the Company for details.

**Annual Transaction Amount Caps**

The caps of transactions for the years ended 31 December 2017 and 2018 are RMB7,487,204 and RMB7,212,700, respectively

The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB11,198,000, RMB11,698,000 and RMB12,198,000, respectively

**Continuing Connected Transactions**

- (q) On 27 December 2017, Guangdong Top-E (as supplier), a subsidiary of the Company, and Yueyun Investment Management (as purchaser) entered into a refined oil supply framework agreement, pursuant to which Guangdong Top-E shall supply vehicle diesel meeting national standards to the self-use skid-mounted gas stations of Yueyun Investment Management and its subsidiaries and provide refined oil fixed-point refueling services to the self-use or operating vehicles of Yueyun Investment Management and its subsidiaries for a term from 1 January 2018 to 31 December 2020.

Please refer to the announcement dated 27 December 2017 of the Company for details.

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

**Annual Transaction  
Amount Caps**

The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB25,200,000, RMB37,200,000 and RMB48,000,000, respectively

3. The following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2017 in relation to the continuing connected transactions of the Company.

Transactions	For the year ended 31 December 2017	
	Annual Cap (RMB'000)	Actual Amount (RMB'000)
<i>Non-exempt continuing connected transactions approved by independent Shareholders</i>		
Grant of a first right to operate the expressway service zones and advertising businesses on the expressways controlled by members of GCGC by GCGC to Company under the First Right of Operation Agreement and the subsisting agreements	171,273	152,522
Provision of material logistics services to members of GCGC by the Group under the Material Logistics Services Master Agreement and the subsisting agreements	1,989,140	299,360
Purchase of construction materials from members of GCGC by the Group under the Materials Purchase Master Agreement and the subsisting agreements	615,830	367,102
Pursuant to the Financial Service Agreement, the maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion	1,000,000	481,696
<i>Discloseable continuing connected transactions exempt from independent Shareholders' approval</i>		
Provision of asphalt transportation services by Weisheng Logistics to South China Logistics Enterprise and its subsidiaries under the Asphalt Transportation Service Framework Agreement	34,110	24,638
Engagement of Humen Bridge Company by the Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange under the Entrusted Operation Management Contract	4,700	4,308
Outsourcing of the operation of GD-HK Transportation Branch to Weisheng by GD-HK Company under the GD-HK Transportation Branch Outsourcing Agreement	HKD30,920 (equivalent to approximately RMB26,752)	16,165
Outsourcing of the operation of Weisheng Bus to GD-HK Company by Weisheng under the Weisheng Bus Outsourcing Agreement	HKD18,190 (equivalent to approximately RMB15,738)	13,749
Provision of repair and renovation services for the Taiping Interchange by members of GCGC to the Group under the Taiping Interchange Repair Service Master Agreement	34,940	4,314

Transactions	For the year ended	
	31 December 2017	
	Annual Cap (RMB'000)	Actual Amount (RMB'000)
Provision of rescue services to members of GCGC by the Group under the Rescue Services Entrustment Master Agreement	66,718	55,223
Provision of information system services to the Group by members of GCGC under the Information Systems Services Master Agreement	3,306	487
Provision of relevant auxiliary services to members of GCGC by the Group under the Transportation Intelligence Services and Other Auxiliary Services Master Agreement	12,719	6,176
Leasing of the leased premises from Yueyun Investment Management by the Group under the Property Leasing Framework Agreement	8,928	6,222
Supply of goods by the Group to Yueyun Investment Management and its subsidiaries under the Goods Supply Framework Agreement	4,256	0
Pursuant to the Entrusted Management Agreement and its supplementary agreement, the Company accepted the entrustment by Yueyun Investment Management to manage the 100% equity interests in Meizhou Yueyun, the 100% equity interests in Yangjiang Transportation and the 80% equity interests in Shenzhen Yueyun Investment Development Company Limited ( Note 1)	7,487	7,228
Pursuant to the Property Management Entrustment Agreement, Yueyun Investment Management appointed Yunxing Property Management to provide property management services for Yueyun Building and other relevant properties (Note 2)	11,198	6,023
Note 1: The Group acquired 100% of equity interests in Yangjiang Transportation on 11 August 2017 and the Group and Yueyun Investment Management terminated the entrusted management of Yangjiang Transportation accordingly. The entrusted management income for the nine months before acquisition was included in the entrusted management income.		
Note 2: On 29 September 2017, Yunxing Property Management entered into a termination agreement with Yueyun Investment Management, pursuant to which Yueyun Investment Management and Yunxing Property Management agreed to terminate the Property Management Entrustment Framework Agreement with effect from 1 October 2017 and both parties shall no longer have any rights and obligations under the Property Management Entrustment Framework Agreement. The property management service fee for the first nine months in 2017 was included in the transaction amount during the year.		

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

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

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

## CONNECTED TRANSACTIONS

For the year ended 31 December 2017, one-off connected transactions of the Group which are subject to reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules are as follows:

- (a) After completion of a tender process conducted through the Southern United Assets and Equity Exchange (南方聯合產權交易中心), on 11 August 2017, Yueyun Langri and Yueyun Investment Management entered into the Equity Transaction Agreement pursuant to which Yueyun Langri agreed to acquire 100% equity interest in Yangjiang Transportation from Yueyun Investment Management. Upon completion of the Acquisition, Yangjiang Transportation became a subsidiary of the Company.

Please refer to the announcement dated 11 August 2017 of the Company for details.



- (b) On 21 December 2017, the Company entered into the Asset Swap Agreement with Yueyun Investment Management, pursuant to which, the Company has agreed to sell and Yueyun Investment Management has agreed to acquire, the South China Logistics Enterprise 100% equity interest at a consideration of RMB314,467,600, which shall be satisfied by Yueyun Investment Management by way of (i) transferring to the Company the 100% equity interest in Meizhou Yueyun at a consideration of RMB286,087,600; and (ii) payment of RMB28,380,000 in cash representing the Difference. The Asset Swap Agreement was approved by the independent shareholders at the extraordinary general meeting to be held on 19 March 2018.

Please refer to the announcement dated 21 December 2017 and the circular dated 31 January 2018 of the Company for details.

## RELATED PARTY TRANSACTIONS

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 20,979 employees (as at 31 December 2016: 21,172) and the staff costs (including remuneration of Directors) of the Group was RMB1,692,548,000 (2016: RMB1,642,778,000) for the year.

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

## EMPLOYEE TRAINING

The Group has always attached great importance to the training and development of human resources, and provided various trainings to management staff and employees. The contents cover the technical and operational aspects of the business and also include occupational ethics, listing rules, laws and regulations and internal controls, etc. We have faithfully implemented budgeted standard for training and development expenses and its implementation plan of the Group. In 2017, we organized a total of more than 470 training and development activities with approximately 21,800 person-time participated in, with a training participation rate of 100% for management staff. The trainings are conducted in various forms, covering autonomous internal trainings, external trainings, send-out trainings (including lectures, forums and open courses), group expansion and field trips outside the province.

## DIRECTORS' REPORT

In respect of legal training, in 2017, according to the specific conditions of business development, the Company invited external legal advisers to conduct legal training in corporate acquisitions for the relevant staff of the Group so as to enhance the Group's legal risk prevention awareness and legal compliance awareness in acquisitions.

In 2017, the Company continued to strengthen the professional training of financial staff of the Group and improved the business quality of financial management staff at all levels. The training method was a combination of internal training and external training. The training contents include the operation of financial application systems, the continued education of financial staff, newly revised and implemented accounting standards, comprehensive budget management, financial analysis and accounts receivable analysis, and financial management staff were organized to participate in training courses organized by SASAC Accounting Society (國資會計學會) the State-owned Assets Accounting Society.

## EMPLOYEE PENSION SCHEME

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

## REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2017, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year ended 31 December 2017.

## CORPORATE BONDS

Details of the bonds payable by the Company are set out in note V 32 to the financial statements prepared in accordance with the ASBE.

## DONATIONS

Donations of RMB923,000 was made by the Group during the year ended 31 December 2017.

## AUDITOR

On 13 June 2017, as approved at the annual general meeting, the Company appointed KPMG Huazhen LLP as the auditor of the Company for a term of office until the close of the next annual general meeting of the Company. KPMG Huazhen LLP has audited the Group's financial statements which were prepared in accordance with the ASBE. The Company will propose a resolution at the annual general meeting to be held on 19 June 2018 to appoint KPMG Huazhen LLP as the auditor of the Company.

## SHARE CAPITAL

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

## PRE-EMPTIVE RIGHTS

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

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

To the best knowledge of the Directors, as at 31 December 2017, Shareholders who had interests or short positions in the shares and underlying shares of the Company required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Class of shares	Number of shares/ underlying shares held (Note 1)	Capacity	Approximate percentage in 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 corporation	16.22%	4.20%
China Petroleum & Chemical Corporation	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
Sinopec Sales Company Limited	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
Sinopec (Hong Kong) Limited	H shares	33,570,000	Beneficial owner	16.22%	4.20%
Pope Asset Management, LLC	H shares	18,627,247	Investment manager	9.00%	2.33%
Shah Capital Management	H shares	17,748,000	Investment manager	8.57%	2.22%
富國基金管理有限公司 (Fullgoal Fund Management Company Limited)	H shares	10,391,000	Investment manager	5.02%	1.30%
E Fund Management Co., Ltd.	H shares	10,350,000	Investment manager	5.00%	1.29%

Notes

- (1) The number of H shares are based on records filed by the shareholders and enquiries made by the Company with the shareholders, taking into account the issue of bonus shares by the Company in 2015.
- (2) Sinopec (Hong Kong) Limited is a wholly-owned subsidiary of Sinopec Sales Company Limited and China Petroleum & Chemical Corporation holds as to 70.42% of Sinopec Sales Company Limited while China Petrochemical Corporation holds as to 70.86% of China Petroleum & Chemical Corporation. Accordingly, China Petrochemical Corporation, China Petroleum & Chemical Corporation and Sinopec Sales Company Limited are deemed to be interested in 33,570,000 H shares of the Company held by Sinopec (Hong Kong) Limited respectively.

Save as disclosed above, as at 31 December 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.

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

The shareholding structure of the Company as at 31 December 2017 is as follows:

Shareholder	Class of Shares	Number of Shares (Shares)	Percentage of Shareholding (%)
GCGC	Domestic shares	592,847,800	74.12
Public shareholders	H shares	207,000,000	25.88
Total		799,847,800	100

GCGC is a controlling shareholder of the Company. Its legal representative is Deng Xiao Hua and its registered capital as at 31 December 2017 was RMB26,800,000,000. It is principally engaged in the investment, construction and management of expressways in Guangdong Province, as well as logistics and transportation business.

## SUFFICIENCY OF PUBLIC FLOAT

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

## MATERIAL LITIGATION OR ARBITRATION

As of the date of this report, the Board was aware of the following material litigation involving the Company:

The Company has brought legal proceedings before the Guangzhou Intermediate People's Court against Tangshan Shuihou Steel Rolling Mill No.1 (唐山市稅後軋鋼一廠), Tangshan Xingye Industrial & Trading Group Co., Ltd. (唐山興業工貿集團有限公司) and Tangshan Kaiping District Xingye Steel Rolling Mill (唐山市開平區興業軋製廠) to recover the sum paid in advance by the Company to purchase steel products in the amount of RMB472,397,000 together with compensation for breach of contract. The Company has applied to the court for a charging order against the defendants' assets. The Guangzhou Intermediate People's Court gave its judgment on 7 June 2011, pursuant to which the defendants had to repay the prepayments of the Company with a penalty. On 12 July 2011, the Guangzhou Intermediate People's Court issued a certificate of judgment (《裁判文書生效證明》) to confirm that the relevant ruling became effective on 30 June 2011. The Company has applied to the court for filing and executing the certificate which is currently being executed by the court. The obligor, Tangshan Xingye Industrial & Trading Group Co., Ltd. has filed for bankruptcy petition to Tangshan Kaiping District People's Court due to insolvency, and the court has decided to accept the bankruptcy petition filed by it on 28 February 2014. In March 2015, receiver of Tangshan Xingye Industry & Trade Group Co., Ltd informed the Company that Tangshan Kaiping District People's Court has accepted the merger and bankruptcy case of seven related enterprises including Tangshan Shuihou Steel Rolling Mill No.1, Tangshan Xingye Industrial & Trading Group Co., Ltd. and Tangshan Kaiping District Xingye Steel Rolling Mill. Guangzhou Intermediate People's Court has ruled that the above case filed by it was closed as the parties subject to enforcement were bankrupt enterprises under merger and bankruptcy case in the course of execution of the above case. Currently, the merger and bankruptcy case is ongoing. The Company has made full provision for the bad debts regarding the above mentioned defaulted prepayment and will continue to strengthen its effort to recover the defaulted prepayment, currently the possibility of collecting the related prepayment remains uncertain.

On behalf of the Board

**Xuan Zongmin**

*Chairman of the Board*

Guangzhou, The PRC

21 March 2018

# SUPERVISORS' REPORT

## Dear Shareholders:

In 2017, based on the principle of safeguarding the interest of all Shareholders, the Supervisory Committee lawfully performed its supervisory functions in accordance with the relevant requirements under the Company Law, the Articles of Association and the Stock Exchange. The Supervisory Committee monitored the Company's production and operation activities, financial position and the performance by the Directors and senior management members of their duties, providing strong support for the Company's standardized operations. We hereby present the tasks carried out by the Supervisory Committee of the Company during the year of 2017:

## I. CONVENING SUPERVISORY COMMITTEE MEETINGS

In the year of 2017, the Supervisory Committee had convened one meeting of the Supervisory Committee: the second meeting of the sixth session of the Supervisory Committee. The meeting was convened and held in compliance with the Company Law and the Articles of Association. The resolutions of the meeting were legal and valid.

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

1. considered and approved Annual Work Report of the Supervisory Committee for 2016;
2. considered and approved Work Plan of the Supervisory Committee for 2017;
3. considered and approved Supervision and Inspection Report of the Company for 2016.

The following reports and proposals of the Company are agreed unanimously upon appraisal:

1. Annual Report 2016;
2. Final Accounts Report 2016 and Budget Report 2017;
3. Proposal on Appropriation of Profits 2016;
4. Proposal on Application for Integrated Bank Facilities;
5. Proposal on Appointment of Agent for Distribution of H shares dividends;
6. Proposal on Engagement of Accounting Firm;
7. Status on Completion of Investment 2016 and Investment Plan 2017;
8. Remuneration and Reward Plan 2016;
9. Internal Control Appraisal Plan 2017;
10. Internal Audit Plan 2017;
11. Proposal on convening 2016 Annual General Meeting;
12. Minutes of Meetings of the Audit and Corporate Governance Committee;
13. Minutes of Meetings of the Remuneration Committee.

## II. MAJOR TASKS PERFORMED BY THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

In 2017, members of the Supervisory Committee of the Company attended various meetings relating to major business operations and decision making of the Company, such as meetings of the Board, general manager office, the party-executive joint conferences and party committee, they have also reviewed and monitored the voting procedures for major decisions and resolutions, and examined the lawful operation of the Company.

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

## III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELATED MATTERS OF THE COMPANY

### (i) The operation of the Company according to the laws

In 2017, the procedures for convening board meetings and the process for passing resolutions complied with laws and regulations. The Board was able to strictly execute each of the resolutions and authorizations given at the general meetings. Directors and the management of the Company were able to perform their duties in accordance with the resolutions of the general meetings. The Supervisory Committee was not aware of any violation of the laws, regulations and the Articles of Association or other matters which will damage the interest of the Company and the Shareholders in the course of performing corporate duties by Directors and senior management of the Company.

### (ii) Financial audit of the Company

KPMG Huazhen LLP has audited the 2017 financial reports of the Company and issued a standard unqualified audit report. The financial statements of the Company present fairly, in material respects, the financial position and operating results of the Company.

### (iii) Connected transactions

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

**Hu Xianhua**

*Chairman of the Supervisory Committee*

Guangzhou, the PRC

26 March 2018

# AUDITOR'S REPORT

畢馬威華振審字第1801216號

The Shareholders of Guangdong Yueyun Transportation Company Limited:

## OPINION

We have audited the accompanying financial statements of Guangdong Yueyun Transportation Company Limited (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2017, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2017, and the consolidated and company financial performance and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

## BASIS FOR OPINION

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



## KEY AUDIT MATTERS

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

### Recoverability of trade receivables

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

#### The Key Audit Matter

At 31 December 2017, the Company and its subsidiaries' (the "Group") gross trade receivables totalled RMB 940 million. Allowances for doubtful debts of RMB 64.14 million were recorded at 31 December 2017.

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

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

#### How the matter was addressed in our audit

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

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, debt collection and making allowances for doubtful debts;
- assessing whether items were correctly categorised in the trade receivables ageing report by comparing a sample of individual items with underlying goods delivery notes, sales invoices and other relevant underlying documentation;
- obtaining an understanding of the basis of management's judgements about the recoverability of individual material and long aged trade receivable balances and evaluating the allowances for doubtful debts made by management for these balances by examining the information used by management to form such judgements, including the debtors' financial information, historical and post year end payment records, records of correspondence or other communications with the debtors to chase settlement of outstanding amounts due and repayment arrangements agreed with specific debtors;
- comparing, on a sample basis, cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2017 with bank-in slips.

### Recognition of government subsidies

Refer to note II (26) significant accounting policies and accounting estimates and note V 36, 49 and 51 to the financial statements.

#### The Key Audit Matter

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

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

Management further assesses the terms and designated usage of each subsidy and classifies them either as asset related subsidies or subsidies to compensate for expenses incurred. Asset related subsidies are recognised as deferred income and are amortised over the useful lives of the related assets on a reasonable and systematic manner as other income or non-operating income. Subsidies to compensate for expenses or losses already incurred are offset against related expenses directly, or included in other income or non-operating income when the subsidies are received or when reasonable assurance has been obtained that the subsidies will be received.

#### How the matter was addressed in our audit

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

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

**Recognition of government subsidies** *(Continued)*

Refer to note II (26) significant accounting policies and accounting estimates and note V 36, 49 and 51 to the financial statements.

**The Key Audit Matter**

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

**How the matter was addressed in our audit**

- in respect of subsidies to compensate for expenses or losses incurred recorded during the current year, comparing, on a sample basis, costs actually incurred with the descriptions of expenses for which the subsidies are to compensate in the relevant documents and correspondence from the government authorities to assess whether the criteria for offsetting against related expenses, or including in other income or non-operating income have been met;
- inspecting bank-in slips, on a sample basis, for the subsidies which were received during the current year.

**OTHER INFORMATION**

The Company's management is responsible for the other information. The other information comprises all the information included in 2017 annual report of the Company, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**KPMG Huazhen LLP**

Beijing, China

**Certified Public Accountants**

**Registered in the People's Republic of China**

**Wang Jie (Engagement Partner)**

**Li Wanmin**

21 March 2018

# CONSOLIDATED BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016 (Restated)
<b>Assets</b>			
<b>Current Assets</b>			
Cash at bank and on hand	1	1,813,515,419.32	1,609,918,437.06
Bills receivable	2	36,505,607.26	5,637,453.96
Accounts receivable	3	875,843,821.09	623,510,509.82
Prepayments	4	321,485,159.10	233,863,232.64
Interest receivable		21,570.80	293,588.08
Dividends receivable		1,086,686.22	3,519,926.87
Other receivables	5	410,259,407.94	367,035,505.80
Inventories	6	187,571,174.06	135,781,363.72
Non-current assets due within one year		31,206,054.27	6,873,783.84
Other current assets	7	34,134,646.72	38,589,634.34
<b>Total current assets</b>		<b>3,711,629,546.78</b>	<b>3,025,023,436.13</b>
<b>Non-current assets</b>			
Long-term receivables	8	4,269,811.62	37,198,798.73
Long-term equity investments	9	332,013,785.00	237,545,373.76
Available-for-sale financial assets	10	563,228.22	563,228.22
Investment properties	11	180,291,731.04	164,354,635.96
Fixed assets	12	2,519,529,158.69	2,305,060,652.78
Construction in progress	13	285,606,258.89	206,174,372.72
Intangible assets	14	1,040,801,632.40	985,095,401.15
Goodwill	15	104,166,326.02	104,166,326.02
Long-term deferred expenses	16	43,696,395.00	25,188,719.65
Deferred tax assets	17	183,989,679.59	194,373,308.26
Other non-current assets	18	407,516,296.41	410,408,172.84
<b>Total non-current assets</b>		<b>5,102,444,302.88</b>	<b>4,670,128,990.09</b>
<b>Total assets</b>		<b>8,814,073,849.66</b>	<b>7,695,152,426.22</b>

The notes on pages 116 to 340 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016 (Restated)
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans	21	212,806,642.67	45,000,000.00
Bills payable	22	780,735,011.25	462,401,913.99
Accounts payable	23	798,474,945.77	669,740,850.93
Advances from customers	24	193,104,445.83	234,535,312.35
Employee benefits payable	25	178,455,363.29	164,904,801.21
Taxes payable	26	170,184,925.85	133,542,120.92
Interest payable	27	5,381,992.32	5,095,378.31
Dividends payable	28	38,053,466.15	29,684,164.21
Other payables	29	590,839,790.22	579,989,123.33
Non-current liabilities due within one year	30	151,288,761.02	124,352,447.02
<b>Total current liabilities</b>		<b>3,119,325,344.37</b>	2,449,246,112.27
<b>Non-current liabilities</b>			
Long-term loans	31	500,075,133.02	232,425,730.93
Bonds payable	32	775,310,816.19	774,170,794.08
Long-term payables	33	154,168,357.56	127,659,791.85
Long-term employee benefits payable	34	150,336,775.00	162,139,949.06
Provisions	35	1,646,679.43	1,100,000.00
Deferred tax liabilities	17	28,447,231.25	32,736,936.59
Deferred income	36	491,347,636.42	530,817,920.44
<b>Total non-current liabilities</b>		<b>2,101,332,628.87</b>	1,861,051,122.95
<b>Total liabilities</b>		<b>5,220,657,973.24</b>	4,310,297,235.22

The notes on pages 116 to 340 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016 (Restated)
<b>Liabilities and shareholders' equity (Continued)</b>			
<b>Shareholders' equity</b>			
Share capital	37	<b>799,847,800.00</b>	799,847,800.00
Capital reserve	38	<b>125,022,074.47</b>	184,807,287.55
Other comprehensive income	39	<b>(34,414,839.74)</b>	(21,923,638.32)
Special reserve	40	<b>33,262,879.58</b>	31,476,221.97
Surplus reserve	41	<b>177,615,970.29</b>	152,853,595.03
Retained earnings	42	<b>1,290,311,300.48</b>	1,001,774,064.23
<b>Total equity attributable to shareholders of the Company</b>	43	<b>2,391,645,185.08</b>	2,148,835,330.46
Non-controlling interests		<b>1,201,770,691.34</b>	1,236,019,860.54
<b>Total shareholders' equity</b>		<b>3,593,415,876.42</b>	3,384,855,191.00
<b>Total liabilities and shareholders' equity</b>		<b>8,814,073,849.66</b>	7,695,152,426.22

These financial statements were approved by the Board of Directors of the Company on 21 March 2018.

**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 116 to 340 form part of these financial statements.



# COMPANY BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
<b>Assets</b>			
<b>Current Assets</b>			
Cash at bank and on hand	1	<b>929,531,026.45</b>	1,109,152,535.46
Bills receivable	2	—	5,448,453.96
Accounts receivable	3	<b>385,036,624.06</b>	245,609,118.97
Prepayments	4	<b>117,397,303.85</b>	12,759,797.38
Interests receivable		<b>8,849.96</b>	275,017.29
Dividends receivable		<b>80,102,134.48</b>	1,023,000.00
Other receivables	5	<b>604,309,581.14</b>	671,436,058.81
Inventories	6	<b>14,650,695.09</b>	2,479,099.78
<b>Total current assets</b>		<b>2,131,036,215.03</b>	2,048,183,081.65
<b>Non-current assets</b>			
Long-term equity investments	9	<b>1,233,022,067.92</b>	1,208,707,080.27
Available-for-sale financial assets	10	<b>777,412.45</b>	777,412.45
Fixed assets	12	<b>5,965,415.37</b>	6,227,757.60
Intangible assets	14	<b>114,803,847.21</b>	125,660,101.38
Long-term deferred expenses	16	<b>5,622,448.53</b>	4,755,547.36
Deferred tax assets	17	<b>149,540,688.33</b>	149,399,161.35
<b>Total non-current assets</b>		<b>1,509,731,879.81</b>	1,495,527,060.41
<b>Total assets</b>		<b>3,640,768,094.84</b>	3,543,710,142.06

The notes on pages 116 to 340 form part of these financial statements.

## COMPANY BALANCE SHEET

as at 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bills payable	22	473,950,000.00	92,189,797.25
Accounts payable	23	93,725,446.50	227,073,144.82
Advances from customers	24	16,031,962.28	38,819,006.55
Employee benefits payable	25	21,618,087.89	18,170,696.86
Taxes payable	26	31,058,166.09	13,268,044.80
Interest payable	27	4,729,044.52	4,729,044.48
Other payables	29	762,314,679.36	1,056,903,259.83
<b>Total current liabilities</b>		<b>1,403,427,386.64</b>	<b>1,451,152,994.59</b>
<b>Non-current liabilities</b>			
Bonds payable	32	775,310,816.19	774,170,794.08
<b>Total non-current liabilities</b>		<b>775,310,816.19</b>	<b>774,170,794.08</b>
<b>Total liabilities</b>		<b>2,178,738,202.83</b>	<b>2,225,323,788.67</b>
<b>Shareholders' equity</b>			
Share capital	37	799,847,800.00	799,847,800.00
Capital reserve	38	246,020,107.11	246,020,107.11
Surplus reserve	41	175,137,881.43	150,375,506.17
Retained earnings	42	241,024,103.47	122,142,940.11
<b>Total shareholders' equity</b>		<b>1,462,029,892.01</b>	<b>1,318,386,353.39</b>
<b>Total liabilities and shareholders' equity</b>		<b>3,640,768,094.84</b>	<b>3,543,710,142.06</b>

These financial statements were approved by the Board of Directors of the Company on 21 March 2018.

**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 116 to 340 form part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016 (Restated)
I. Operating income	44	<b>7,248,492,939.72</b>	7,321,371,045.36
II. Less: Operating costs	44	<b>5,899,010,732.82</b>	6,040,189,302.07
Taxes and surcharges	45	<b>53,801,743.44</b>	61,121,670.11
Selling and distribution expenses		<b>88,882,811.39</b>	92,808,514.22
General and administrative expenses		<b>661,658,572.79</b>	668,679,101.76
Financial expenses	46	<b>55,539,007.43</b>	48,045,933.82
Impairment losses	47	<b>12,775,439.80</b>	30,851,164.73
Add: Investment income	48	<b>47,206,139.35</b>	26,615,976.13
(Including: Income from investments in associates and joint ventures)		<b>46,025,242.26</b>	24,945,731.12
Other income	49	<b>170,900,239.03</b>	—
Gains from asset disposals	50	<b>258,310.87</b>	3,311,435.86
III. Operating profit		<b>695,189,321.30</b>	409,602,770.64
Add: Non-operating income	51	<b>21,815,954.92</b>	215,082,446.60
Less: Non-operating expenses	52	<b>12,028,462.96</b>	17,304,539.18
IV. Profit before income tax		<b>704,976,813.26</b>	607,380,678.06
Less: Income tax expenses	53	<b>177,695,228.53</b>	149,541,935.09
V. Net profit for the year		<b>527,281,584.73</b>	457,838,742.97
Attributable to:			
Shareholders of the Company		<b>417,279,825.51</b>	335,154,085.75
Non-controlling interests		<b>110,001,759.22</b>	122,684,657.22
Net profit from continuing operations		<b>527,281,584.73</b>	457,838,742.97
Net profit from discontinued operations		—	—

The notes on pages 116 to 340 form part of these financial statements.

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016 (Restated)
VI. Other comprehensive income, net of tax	55		
(I) Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan liability		<b>386,212.09</b>	(882,288.00)
(II) Items that may be reclassified subsequently to profit or loss:			
Translation differences arising from translation of foreign currency financial statements		<b>(19,973,185.49)</b>	18,049,333.74
VII. Total comprehensive income for the year		<b>507,694,611.33</b>	475,005,788.71
Attributable to:			
Shareholders of the Company		<b>404,788,624.09</b>	346,028,596.87
Non-controlling interests		<b>102,905,987.24</b>	128,977,191.84
VIII. Earnings per share			
(I) Basic earnings per share	54(1)	<b>0.52</b>	0.44
(II) Diluted earnings per share	54(2)	<b>0.52</b>	0.42

For a business combination involving entities under common control which occurred in 2017, the net profit of the investees before being consolidated was RMB141,171.04. The net loss in 2016 was RMB 2,873,012.50.

The notes on pages 116 to 340 form part of these financial statements.

# COMPANY INCOME STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
I. Operating income	44	<b>1,304,519,943.21</b>	843,286,800.24
II. Less: Operating costs	44	<b>1,079,072,601.13</b>	651,908,896.33
Taxes and surcharges	45	<b>4,500,781.55</b>	3,599,596.11
Selling and distribution expenses		<b>3,347,962.48</b>	3,928,390.19
General and administrative expenses		<b>81,939,736.73</b>	81,863,698.99
Financial expenses	46	<b>4,737,727.00</b>	18,298,619.36
Impairment (reversal)/losses	47	<b>(4,427,227.22)</b>	18,073,048.73
Add: Investment income	48	<b>146,608,854.14</b>	55,192,661.85
(Including: Income from investments in associates and joint ventures)		<b>30,563,987.65</b>	13,199,293.57
III. Operating profit		<b>281,957,215.68</b>	120,807,212.38
Add: Non-operating income	51	<b>91,466.96</b>	334,294.81
Less: Non-operating expenses	52	<b>1,500.00</b>	51,779.05
IV. Profit before income tax		<b>282,047,182.64</b>	121,089,728.14
Less: Income tax expenses	53	<b>34,423,430.02</b>	14,894,917.71
V. Net profit for the year		<b>247,623,752.62</b>	106,194,810.43
Net profit from continuing operations		<b>247,623,752.62</b>	106,194,810.43
Net profit from discontinued operations		—	—
VI. Other comprehensive income, net of tax		—	—
VII. Total comprehensive income for the year		<b>247,623,752.62</b>	106,194,810.43

The notes on pages 116 to 340 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016 (Restated)
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		<b>7,746,439,360.82</b>	7,917,740,730.95
Refund of taxes		—	11,000.00
Cash received relating to other operating activities		<b>306,506,429.82</b>	207,165,164.07
Sub-total of cash inflows		<b>8,052,945,790.64</b>	8,124,916,895.02
Payment for goods and services		<b>4,907,708,056.22</b>	5,078,681,651.28
Payment to and for employees		<b>1,695,866,806.06</b>	1,643,136,823.40
Payment of various taxes		<b>446,320,721.94</b>	399,293,695.50
Payment relating to other operating activities		<b>317,324,924.70</b>	274,615,140.41
Sub-total of cash outflows		<b>7,367,220,508.92</b>	7,395,727,310.59
Net cash inflow from operating activities	V 57(a)	<b>685,725,281.72</b>	729,189,584.43
II. Cash flows from investing activities:			
Investment returns received		<b>21,731,796.60</b>	9,162,933.09
Proceeds from disposal of investments		<b>1,234,400.00</b>	—
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		<b>11,716,634.30</b>	24,302,364.28
Sub-total of cash inflows		<b>34,682,830.90</b>	33,465,297.37
Payment for acquisition of fixed assets, intangible assets and other long-term assets		<b>556,006,402.90</b>	729,267,108.59
Payment for acquisition of investments		<b>84,950,710.64</b>	11,600,000.00
Net payment for acquisition of subsidiaries	V 57(d)	<b>16,602,812.36</b>	13,317,728.96
Payment for business combinations involving enterprises under common control	IV 5	<b>29,065,900.00</b>	—
Reduction of cash as result of loss of control over a subsidiary		<b>4,159,204.46</b>	—
Sub-total of cash outflows		<b>690,785,030.36</b>	754,184,837.55
Net cash outflow from investing activities		<b>(656,102,199.46)</b>	(720,719,540.18)

The notes on pages 116 to 340 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016 (Restated)
III. Cash flows from financing activities:			
Proceeds from investors		<b>7,630,000.00</b>	27,600,400.00
Proceeds from borrowings		<b>589,375,625.62</b>	304,594,500.00
Proceeds relating to other financing activities	57(e)	—	5,362,064.42
Sub-total of cash inflows		<b>597,005,625.62</b>	337,556,964.42
Repayments of borrowings		<b>133,978,459.91</b>	440,743,038.27
Payment for profit distributions or interest		<b>252,498,374.91</b>	233,207,816.85
Including: Profits paid to non-controlling shareholders by subsidiaries		<b>103,629,377.79</b>	89,657,531.58
Payment for acquisition of non-controlling interests		<b>24,266,396.47</b>	7,881,214.98
Payment for fractional shares relating to the conversion of convertible securities		—	1,580.00
Payment relating to other financing activities	57(e)	<b>6,640,064.33</b>	—
Sub-total of cash outflows		<b>417,383,295.62</b>	681,833,650.10
Net cash inflow/(outflow) from financing activities		<b>179,622,330.00</b>	(344,276,685.68)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		<b>(7,584,248.18)</b>	8,159,283.73
V. Net increase/(decrease) in cash and cash equivalents	57(b)	<b>201,661,164.08</b>	(327,647,357.70)
Add: Cash and cash equivalents at the beginning of the year		<b>1,600,195,128.34</b>	1,927,842,486.04
VI. Cash and cash equivalents at the end of the year	57(c)	<b>1,801,856,292.42</b>	1,600,195,128.34

The notes on pages 116 to 340 form part of these financial statements.

# COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	2017	2016
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		<b>1,343,114,998.15</b>	837,545,033.11
Proceeds from other operating activities		<b>10,828,710.48</b>	66,340,759.32
Sub-total of cash inflows		<b>1,353,943,708.63</b>	903,885,792.43
Payment for goods and services		<b>1,091,708,309.04</b>	621,093,139.92
Payment to and for employees		<b>42,329,733.13</b>	45,223,544.66
Payment of various taxes		<b>54,429,834.46</b>	28,981,604.80
Payment relating to other operating activities		<b>52,953,332.73</b>	49,012,694.16
Sub-total of cash outflows		<b>1,241,421,209.36</b>	744,310,983.54
Net cash inflow from operating activities	V 57(a)	<b>112,522,499.27</b>	159,574,808.89
II. Cash flows from investing activities:			
Investment returns received		<b>45,986,966.25</b>	52,016,799.65
Proceeds from disposal of investments	VI 4(3)	<b>98,000,000.00</b>	—
Net proceeds from disposal of fixed assets		—	2,000.00
Sub-total of cash inflows		<b>143,986,966.25</b>	52,018,799.65
Payment for acquisition of fixed assets, intangible assets and other long-term assets		<b>7,489,426.55</b>	964,601.37
Payment for acquisition of investments	VI 4(3)	—	262,600,000.00
Sub-total of cash outflows		<b>7,489,426.55</b>	263,564,601.37
Net cash inflow/(outflow) from investing activities		<b>136,497,539.70</b>	(211,545,801.72)

The notes on pages 116 to 340 form part of these financial statements.



**COMPANY CASH FLOW STATEMENT**

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note V	2017	2016
III. Cash flows from financing activities:			
Payment for profit distributions or interest		<b>138,040,925.68</b>	140,916,895.67
Payment for fractional shares relating to the conversion of convertible securities		—	1,580.00
Payment for other financing activities	57(e)	<b>290,600,622.30</b>	79,239,005.44
Sub-total of cash outflows		<b>428,641,547.98</b>	220,157,481.11
Net cash outflow from financing activities		<b>(428,641,547.98)</b>	(220,157,481.11)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		—	—
V. Net decrease in cash and cash equivalents	57(b)	<b>(179,621,509.01)</b>	(272,128,473.94)
Add: Cash and cash equivalents at the beginning of the year		<b>1,109,152,535.46</b>	1,381,281,009.40
VI. Cash and cash equivalents at the end of the year	57(c)	<b>929,531,026.45</b>	1,109,152,535.46

The notes on pages 116 to 340 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Note	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
I. Balance as at 1 January 2017 (restated)		799,847,800.00	184,807,287.55	31,476,221.97	(21,923,638.32)	152,853,595.03	1,001,774,064.23	2,148,835,330.46	1,236,019,860.54	3,384,855,191.00
II. Changes in equity for the year										
1. Total comprehensive income		—	—	—	(12,491,201.42)	—	417,279,825.51	404,788,624.09	102,905,987.24	507,694,611.33
2. Shareholders' contributions										
– Contribution by owners		—	—	—	—	—	—	—	7,630,000.00	7,630,000.00
– Loss of control over a subsidiary	IV 7	—	—	—	—	—	—	—	(4,616,827.74)	(4,616,827.74)
– Acquisition of non-controlling interests	V 38	—	(6,074,990.49)	—	—	—	—	(6,074,990.49)	(18,191,405.98)	(24,266,396.47)
– Increase from a business combination involving enterprises under common control	IV 5	—	(53,710,222.59)	—	—	—	—	(53,710,222.59)	(19,842,677.41)	(73,552,900.00)
3. Appropriation of profits	V 42									
– Appropriation for surplus reserve		—	—	—	—	24,762,375.26	(24,762,375.26)	—	—	—
– Distributions to shareholders		—	—	—	—	—	(103,980,214.00)	(103,980,214.00)	(103,629,377.79)	(207,609,591.79)
4. Specific reserve	V 40									
– Accrued		—	—	26,262,870.41	—	—	—	26,262,870.41	19,241,221.86	45,504,092.27
– Utilised		—	—	(24,476,212.80)	—	—	—	(24,476,212.80)	(17,746,089.38)	(42,222,302.18)
Sub-total		—	(59,785,213.08)	1,786,657.61	(12,491,201.42)	24,762,375.26	288,537,236.25	242,809,854.62	(34,249,169.20)	208,560,685.42
III. Balance as at 31 December 2017		799,847,800.00	125,022,074.47	33,262,879.58	(34,414,839.74)	177,615,970.29	1,290,311,300.48	2,391,645,185.08	1,201,770,691.34	3,593,415,876.42

The notes on pages 116 to 340 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

for the year ended 31 December 2016 (Restated)

(Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company							Non-controlling interests	Total shareholders' equity	
		Share capital	Other equity instrument	Capital reserve	Special reserve	Other comprehensive income	Surplus reserve	Retained earnings			Total
I. Balance as at 31 December 2015		626,482,800.00	281,810,000.00	45,158,516.51	30,225,215.67	(32,738,149.44)	142,234,113.99	781,113,221.65	1,874,205,718.38	1,172,383,607.67	3,046,589,326.05
Add: Business combinations involving enterprises under common control	VIII 5	—	—	33,057,638.97	—	—	—	106,451.87	33,164,091.84	—	33,164,091.84
II. Balance as at 1 January 2016 (restated)		626,482,800.00	281,810,000.00	78,216,156.48	30,225,215.67	(32,738,149.44)	142,234,113.99	781,219,673.52	1,907,369,810.22	1,172,383,607.67	3,079,753,417.89
III. Changes in equity for the year											
1. Total comprehensive income		—	—	—	—	10,874,511.12	—	335,154,085.75	346,028,596.87	128,977,191.84	475,005,788.71
2. Shareholders' contributions											
- Contribution by owners		—	—	—	—	—	—	—	—	27,600,400.00	27,600,400.00
- Acquisition of non-controlling interests	V 38	—	—	(1,832,288.93)	—	—	—	—	(1,832,288.93)	(6,048,926.05)	(7,881,214.98)
- Increase from a business combination involving enterprises not under common control		—	—	—	—	—	—	—	—	1,392,480.89	1,392,480.89
- Loss of control over subsidiaries		—	—	—	—	—	—	—	—	(244,331.10)	(244,331.10)
3. Appropriation of profits	V 42										
- Appropriation for surplus reserve		—	—	—	—	—	10,619,481.04	(10,619,481.04)	—	—	—
- Distributions to shareholders		—	—	—	—	—	—	(103,980,214.00)	(103,980,214.00)	(89,657,531.58)	(193,637,745.58)
4. Transfers within equity											
- Conversion of Perpetual Subordinated Convertible Securities		173,385,000.00	(281,810,000.00)	108,423,420.00	—	—	—	—	(1,580.00)	—	(1,580.00)
5. Specific reserve	V 40										
- Accrued		—	—	—	22,869,494.07	—	—	—	22,869,494.07	18,163,268.41	41,032,762.48
- Utilised		—	—	—	(21,618,487.77)	—	—	—	(21,618,487.77)	(16,546,289.54)	(38,164,787.31)
Sub-total		173,385,000.00	(281,810,000.00)	106,591,131.07	1,251,006.30	10,874,511.12	10,619,481.04	220,554,390.71	241,465,520.24	63,636,252.87	305,101,773.11
IV. Balance as at 31 December 2016 (restated)		799,847,800.00	—	184,807,287.55	31,476,221.97	(21,863,638.32)	152,853,595.03	1,001,774,064.23	2,148,835,330.46	1,236,019,860.54	3,384,655,191.00

The notes on pages 116 to 340 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total equity
I. Balance as at 1 January 2017	<b>799,847,800.00</b>	<b>246,020,107.11</b>	<b>150,375,506.17</b>	<b>122,142,940.11</b>	<b>1,318,386,353.39</b>
II. Changes in equity for the year					
1. Total comprehensive income	—	—	—	247,623,752.62	247,623,752.62
2. Appropriation of profits					
– Appropriation for surplus reserve	—	—	24,762,375.26	(24,762,375.26)	—
– Distributions to shareholders	—	—	—	(103,980,214.00)	(103,980,214.00)
Sub-total	—	—	24,762,375.26	118,881,163.36	143,643,538.62
III. Balance as at 31 December 2017	<b>799,847,800.00</b>	<b>246,020,107.11</b>	<b>175,137,881.43</b>	<b>241,024,103.47</b>	<b>1,462,029,892.01</b>

Note V

The notes on pages 116 to 340 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*for the year ended 31 December 2016*

*(Expressed in Renminbi Yuan)*

	Note V	Share capital	Other equity instrument	Capital reserve	Surplus reserve	Retained earnings	Total equity
I. Balance as at 1 January 2016		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 year							
1. Total comprehensive income		—	—	—	—	106,194,810.43	106,194,810.43
2. Appropriation of profits	42						
– Appropriation for surplus reserve		—	—	—	10,619,481.04	(10,619,481.04)	—
– Distributions to shareholders		—	—	—	—	(103,980,214.00)	(103,980,214.00)
3. Transfers within equity							
– Conversion of Perpetual Subordinated Convertible Securities		173,385,000.00	(281,810,000.00)	108,423,420.00	—	—	(1,580.00)
Sub-total		173,385,000.00	(281,810,000.00)	108,423,420.00	10,619,481.04	(8,404,884.61)	2,213,016.43
III. Balance as at 31 December 2016		799,847,800.00	—	246,020,107.11	150,375,506.17	122,142,940.11	1,318,386,353.39

The notes on pages 116 to 340 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## I. COMPANY STATUS

Guangdong Yueyun Transportation Company Limited (the “Company”) was established 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 of Guangdong 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 of year 2004 and the revised Company’s Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB 1.00 per H share on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”), including 125,454,545 new H shares, and 12,545,455 H shares converted from domestic shares. The registered capital of the Company was changed to RMB 417,641,867.00 after the placing and public offer.

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

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

## I. COMPANY STATUS *(Continued)*

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

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

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (1) Basis of preparation

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

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

### (2) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2017, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

### (3) Basis of accounting

The Group has adopted the accrual basis of accounting.

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

### (4) Accounting period

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

### (5) Functional currency

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

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

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

#### (a) *Business combinations involving enterprises under common control*

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

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

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

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



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

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

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

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

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

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

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

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

For the calculation and recognition of impairment of goodwill, please refer to Note II. (22).

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

### (7) Preparation of consolidated financial statements

#### (a) General principles

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

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

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

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.

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

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

#### (b) Subsidiaries acquired through a business combination

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

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

#### (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.

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

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

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

**(9) Cash and cash equivalents**

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

**(10) Foreign currency transactions and translation of 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 acquisition or construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date.

In translating the financial statements of a foreign operation, 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 and translation differences arising from translation of foreign currency financial statements recognised in other comprehensive income, are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The cumulative amount of the translation differences accumulated in shareholders' equity with respect to a foreign operation is transferred to profit or loss when the foreign operation is disposed.

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

### (11) Financial instruments

Financial instruments of the Group include cash at bank and on hand, equity investments other than those classified as long-term equity investments as set out in Note II. (14), receivables, payables, loans and borrowings, bonds payable 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 recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as set out in Note II. (25) (d).
- Financial liabilities other than the financial liabilities at fair value through profit or loss are subsequent measured at amortised cost using the effective interest method. However, a financial guarantee issued by the Group is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note II. (24)).

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

### (11) Financial instruments (Continued)

#### (b) Presentation of financial assets and financial liabilities

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

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

#### (c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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

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

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

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

### (11) Financial instruments *(Continued)*

#### (d) *Impairment of financial assets*

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

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

– Available-for-sale financial assets

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

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

#### (e) *Equity instrument*

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

Other equity instrument held by the Company as at the period end represented the PSCS issued by the Company. The PSCS is classified as equity instrument. The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Earnings distributed for the PSCS in issue are treated as appropriation of profits. Where the PSCS is redeemed according to relevant terms of agreement in 2016, the consideration and transaction costs paid by the Company for the redemption are deducted from shareholders' equity. In 2017, the Company did not hold any other equity instrument.

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

### (12) Receivables and impairment

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

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

Judgment basis or criteria for receivables that are individually significant

The Group considers accounts receivable individually greater than RMB 10 million (including RMB 10 million) and other receivables individually greater than RMB 2 million (including RMB 2 million) are individually significant.

Method of provisioning for bad and doubtful debts for receivables that are individually significant

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

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

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



**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, construction contracts-costs incurred but not settled and property under development.

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

Costs of a construction contracts comprise the direct and indirect costs incurred during the period from the date of entering into the contract to the final completion of the contract and attributable to the contract. The costs incurred plus recognised profits (or less recognised losses) and progress billings in respect of construction contract are offset and the net amount is presented in the balance sheet. 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 capitalisation should also be recognised as the cost of real estate development products.

*(b) Cost of inventories transferred out*

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

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

Consumables including low-value consumables and packaging materials are amortised when they are used.

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

### (13) Inventories (Continued)

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

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

(e) *Inventory system*

The Group maintains a perpetual inventory system.

### (14) Long-term equity investments

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

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

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

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

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

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)***(14) Long-term equity investments** *(Continued)**(1) Investment cost of long-term equity investments (Continued)**(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 is classified as held for sale (see Note II (21)). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

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

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

*(b) Investment in joint ventures and associates*

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

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

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

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note II (21)).

## 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)

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

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income ("other changes in owners' equity"), and recognises the corresponding adjustment in shareholders' equity.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owner's equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

## 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)*

The Group makes provision for impairment of investments in joint ventures and associates in accordance with the principles described in Note II. (22).

#### (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 (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 policy decisions of an investee but does not have control or joint control over those policies.

### (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 impairment of the investment properties, please refer to Note II. (22).

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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**(16) Fixed assets***(a) Recognition of fixed assets*

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

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the 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:

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

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

*(c) For the method of impairment testing and measurement of fixed assets, refer to Note II. (22).**(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.

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

### (16) Fixed assets (Continued)

#### (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. (22)).

### (18) Borrowing costs

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

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

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

<b>Category</b>	<b>Estimated useful lives (years)</b>
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.

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

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



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

### (19) Intangible assets *(Continued)*

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. (22)). Other development expenditure is recognised as an expense in the period in which it is incurred.

### (20) Long-term deferred expenses

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

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

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

For the method of impairment testing and measurement of long-term deferred expenses, please refer to Note II. (22).

### (21) Assets held for sale

The Group classifies a non-current asset or disposal group as held for sale when the carrying amount of the non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use.

The disposal group is a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

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

### (21) Assets held for sale (Continued)

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition;
- The sale is highly probable to occur, that is, the Group has made a resolution on a sale plan and entered into a legally binding purchase agreement with other parties. The sale is expected to be completed within one year.

Non-current assets or disposal groups held for sale are initially and subsequently measured at the lower of carrying amount and fair value (see Note II (23)) less costs to sell (except financial assets (see Note II (11)) and deferred tax assets (see Note II (28))) and disposal group with subsequent measurement using the fair value model. Any excess of the carrying amount over the fair value (see Note II (23)) less costs to sell is recognised as an impairment loss in profit or loss.

### (22) Impairment of assets other than inventories and financial assets

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

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

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

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

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

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. (23)) 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.

### **(23) 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.

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

### (24) 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.

### (25) 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.

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

### (25) Revenue recognition *(Continued)*

#### *(b) Rendering of services*

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

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

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

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

#### *(c) Revenue from construction contracts*

Where the outcome of a construction contract can be estimated reliably at the balance sheet date, contract revenue and contract expenses are recognised using the percentage of completion method. 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 the contract costs can be recovered, revenue is recognised to the extent of contract costs incurred that can be recovered; and the 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 as an expense for the period.

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

### (25) Revenue recognition (Continued)

#### (d) Interest income

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

#### (e) Royalties from intangible assets

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

### (26) 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 non-monetary asset, it is measured at fair value.

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 included in other income, non-operating income, or offset against related expenses in the periods in which the expenses or losses are recognised. Otherwise, the grant is recognised as other income, non-operating income, or offset against related expenses directly.

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

### (27) 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.

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

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

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

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

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

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

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

### (28) Income tax (Continued)

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

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.

### (29) 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.



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

### (29) Operating leases and finance leases (Continued)

#### (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)).

### (30) Employee benefits

#### (a) *Short-term employee benefits*

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

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

Pursuant to the relevant laws and regulations of the PRC, the Company and its domestic subsidiaries participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Company and its domestic subsidiaries make contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable 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.

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

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

### (30) Employee benefits (Continued)

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

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

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.

#### (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:

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

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

### (31) Profit distributions to shareholders

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

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

### **(32) 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.

### **(33) 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.

### **(34) 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 (26) contain information about the accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, intangible assets, long-term deferred expenses and recognition of government subsidies. Notes V (3), (4), (5), (6), (10), (12), (13), (14), (15) and (16) contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimate is as follows:

- (i) Note V (34): Defined benefit plans.

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

### (35) Changes in significant accounting policies

(a) *Description and reasons of the changes*

The MOF issued the Accounting Standards for Business Enterprises No. 42 – Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations (“CAS 42”) and the revised Accounting Standards for Business Enterprises No. 16 – Government Grants (“CAS 16 (2017)”) respectively in April and May 2017. The effective dates of CAS 42 and CAS 16 (2017) are 28 May 2017 and 12 June 2017 respectively.

The significant accounting policies after adopting the Accounting Standards for Business Enterprises mentioned above are listed in Note II. (21) and (26).

In addition, the MOF issued the “Notice on Revision of the Illustrative Financial Statements” (Caikui [2017] No.30) in December 2017. The Group has prepared financial statements for the year ended 31 December 2017 in accordance with this document.

Impact of the adoption of the revised accounting standards and regulations mentioned above on the Group is as follows:

(i) Held for sale and discontinued operations

Pursuant to the requirements of CAS 42 relating to the classification, measurement and presentation of non-current assets or disposal groups held for sale and the presentation of discontinued operations, the Group has revisited the existing non-current assets or disposal groups held for sale and discontinued operations as of 28 May 2017 and applied the related accounting policies prospectively. The adoption of CAS 42 has no material effect on the financial position and financial performance of the Group.

(ii) Government grants

Pursuant to CAS 16 (2017), the Group has revisited the existing government grants as of 1 January 2017 and applied the related accounting policies prospectively.

The impact of adoption of CAS 16 (2017) is as follows:

- For the government grants related to ordinary activities 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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**(35) Changes in significant accounting policies** (Continued)(a) *Description and reasons of the changes* (Continued)

## (iii) Gains from asset disposals

The Group has prepared financial statements for the year ended 31 December 2017 in accordance with Caikuai [2017] No.30. Comparative figures have been adjusted retrospectively.

According to the notice, the Group has added a separate line item “Gains from asset disposals” in the income statement. Gains or losses from disposals of non-current assets (excluding financial instruments, long-term equity investment and investment properties) or disposal groups classified as held for sale, and gains or losses from disposals of fixed assets, construction in progress and intangible assets not classified as held for sale are included in this item. The above gains or losses were previously presented in “Non-operating income” or “Non-operating expenses”.

(b) *Effect of changes in accounting policies on the current year financial statements*

- The following tables provide estimates of the impact on each of the line items in the consolidated income statement had the previous policies still been applied in the year.

	Note II	<b>Adoption of revised accounting policies increase/(decrease) the amount of the current financial statement items</b>
		<b>The Group RMB</b>
Operating costs	35(a) (ii)	<b>(109,067,387.85)</b>
Other income	35(a) (ii)	<b>170,900,239.03</b>
Gains from asset disposals	35(a) (iii)	<b>258,310.87</b>
Non-operating income	35(a) (ii)、(iii)	<b>(280,327,749.88)</b>
Non-operating expense	35(a) (iii)	<b>(101,812.13)</b>
Profit before income tax		—
Less: Income tax expenses		—
Net profit for the year		—

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** (Continued)**(35) Changes in significant accounting policies** (Continued)(b) *Effect of changes in accounting policies on the current year financial statements* (Continued)

- Changes of the above accounting policies have no effect on the line items in the consolidated balance sheet and the company balance sheet as at 31 December 2017 and the company income statement for the year ended 31 December 2017.
- The Group has prepared financial statements for the year ended 31 December 2017 in accordance with Caikuai [2017] No.30. Comparative figures for the year ended 31 December 2016 have been adjusted retrospectively. The following tables provide the impact on each of the line items in the consolidated income statement.

	Note II	Adoption of revised accounting policies increase/(decrease) the amount of the 2016 financial statement items  The Group RMB
Gains from asset disposals	35(a) (iii)	3,311,435.86
Non-operating income	35(a) (iii)	(3,478,997.58)
Non-operating expense	35(a) (iii)	<u>(167,561.72)</u>
Profit before income tax		—
Less: Income tax expenses		<u>—</u>
Net profit for the year		<u><u>—</u></u>

- Changes of the above accounting policies have no effect on the line items in the consolidated balance sheet and the company balance sheet as at 31 December 2016 and the company income statement for the year ended 31 December 2016.

### III. TAXATION

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

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

Note 1: According to "The Announcement of Simplification and Combination of Value Added Tax Rate Policy" (Cai shui [2017] No. 37) and "Measures for the implementation of the Pilot Scheme on Levying value-added Tax in place of Business Tax", VAT rate of 13% were cancelled since 1 July 2017. Certain subsidiaries of the Group pay VAT at 11% instead for their sales of water, gas and petrol and etc.

### III. TAXATION

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

Note 2: 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 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.

Note 3: 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 simplified 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, simplified tax computation method with levy rate of 3% applies.

Note 4: 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" (Caishuizong [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 of each city and county in Guangdong Province is exempted since 1 October 2016.

Note 5: The Group's subsidiaries, Zhaoqing Yueyun Logistic Co., Ltd, Guangdong Gangtong Vehicles Transportation Company Limited, Ruyuan Yaozu autonomous county Shunda City City-Village Public Transportation Co., Ltd., Lechang City Pingshi Yongtong Vehicles Transportation Company Limited, Shaoguan City Xi'an Tourist Transportation Company Limited, meet the conditions of Small-scale minimal profit enterprise. Pursuant to Caishui [2017] No. 43, "The Announcement of Preferential tax treatment of Small-scale minimal profit enterprise issued by Ministry of Finance and National Tax Bureau", the Small-scale 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% reduction of taxable income and application of income tax rate at 20% from 1 January 2017 to 31 December 2019.

The Group's subsidiary Guangdong Yueyun Jia Fu Industrial Ltd. was qualified as High and New Technology Enterprise in 2016, and enjoys the preferential tax rate of 15% during 2016-2018.

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



## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

## 1 The subsidiaries of the Group as at the end of 2017 and 2016

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
1	Guangdong Highway Media Company Limited (Formerly known as Guangdong New Way Advertising Company Limited)	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 33,000,000.00	RMB 33,000,000.00	100	100	Established
2	Guangdong Yueyun Jia Fu Industrial Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics services	RMB 10,000,000.00	RMB 10,000,000.00	100	100	Established
3	Yueyun Transportation (HK) Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Material Logistics services	HKD 1,500,000.00	HKD 1,500,000.00	100	100	Established
4	Guangdong Top-E Expressway Service Zone Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 100,000,000.00	RMB 96,831,192.00	95.56	95.56	Business combinations involving enterprises under common control
5	Guangdong Tongyi Landscape Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 20,000,000.00	RMB 20,000,000.00	100	100	Business combinations involving enterprises under common control
6	Guangdong Jindeba Expressway Economic Development Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 10,000,000.00	RMB 10,277,412.45	100	100	Business combinations involving enterprises under common control
7	Guangdong South China Logistics Enterprise Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics services	RMB 180,000,000.00	RMB 207,632,494.21	100	100	Business combinations involving enterprises under common control
8	The Motor Transport Company of Guangdong and Hong Kong Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 9,000,000.00	HKD 5,560,000.00	62	62	Business combinations involving enterprises under common control
9	Gang Tong (HK) Motor Transport Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 500,000.00	HKD 500,000.00	100	100	Business combinations involving enterprises under common control
10	Guangdong Yue Li Jia Passenger Transport Company (Hong Kong)	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 10,000.00	HKD 7,000.00	70	70	Business combinations involving enterprises under common control
11	The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 25,000,000.00	HKD 15,500,000.00	62	62	Business combinations involving enterprises under common control

**IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)**

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
12	Shenzhen Yuegang Transport Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 10,500,000.00	HKD 10,500,000.00	100	100	Business combinations involving enterprises under common control
13	Guangdong Yue Li Jia Passenger Transport Company (Guangzhou)	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 3,500,000.00	HKD 2,450,000.00	70	70	Business combinations involving enterprises under common control
14	Guangdong Province Transportation Engineering Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Real Estate leasing	RMB 17,040,000.00	RMB 69,564,656.62	100	100	Business combinations involving enterprises under common control
15	Guangdong Vehicles Transportation Group Co., Ltd. ("GVTS")	Domestic and non-financial	Guangdong China	Guangdong China	Investment and domestic transportation	RMB 600,000,000.00	RMB 748,110,000.00	100	100	Business combinations involving enterprises under common control
16	Guangdong Province Guangang High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,000,000.00	RMB 2,010,000.00	67	67	Business combinations involving enterprises under common control
17	Guangdong Province Yangjiang City Guangyang High-Speed Railway Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 500,000.00	RMB 335,000.00	67	67	Business combinations involving enterprises under common control
18	Guangdong Yunxing Property Management Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property management	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises under common control
19	Chaoshou City Yueyun High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 500,000.00	RMB 255,000.00	51	51	Business combinations involving enterprises under common control
20	Guangdong Yueyun Second Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 5,000,000.00	RMB 2,550,000.00	51	51	Business combinations involving enterprises under common control
21	Foshan City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 20,000,000.00	RMB 128,000,000.00	51	51	Business combinations involving enterprises under common control
22	Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 100,000,000.00	RMB 78,202,500.00	53.62	53.62	Business combinations involving enterprises under common control
23	Deqing County Yueyun Bus Terminal Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 19,778,320.00	RMB 21,726,038.98	100	100	Business combinations involving enterprises under common control
24	Zhaoqing City Yueyun Logistics Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Logistics services	RMB 2,000,000.00	RMB 2,000,000.00	100	100	Business combinations involving enterprises under common control

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)

No.	Full name of the subsidiary	Type	Incorporation		Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
			place	China							
25	Foshan City Sanshui District Yueyun Traffic Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 20,000,000.00	RMB 20,579,475.24	51	51	Business combinations involving enterprises under common control
26	Guangdong Yueyun Traffic Rescue Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Traffic Rescue	RMB 60,000,000.00	RMB 60,000,000.00	100	100	Business combinations involving enterprises under common control
27	Guangdong Province Guangshen High Speed Coach Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 6,000,000.00	RMB 3,060,000.00	51	51	Business combinations involving enterprises under common control
28	Shenzhen City Shenwei Lighter Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 12,000,000.00	RMB 6,600,000.00	55	55	Business combinations involving enterprises under common control
29	Guangdong Yueyun Langri Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 156,750,000.00	RMB 78,580,658.61	51	51	Business combinations involving enterprises under common control
30	Yangjiang Yangdong Bus Terminal Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Station services	RMB 1,000,000.00	RMB 16,969,900.00	100	100	Business combinations involving enterprises under common control
31	Yangchun Langri Fuels Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Fuel supply	RMB 1,000,000.00	RMB 1,009,540.00	100	100	Business combinations involving enterprises under common control
32	Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong	China	Guangdong	Station services	RMB 500,000.00	RMB 300,000.00	60	100	Business combinations involving enterprises under common control
33	Yangjiang City Yueyun Langri Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 40,864,000.00	RMB 40,864,000.00	65	65	Business combinations involving enterprises under common control
34	Yangchun City's Third Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 580,000.00	RMB 198,660.00	70	100	Business combinations involving enterprises under common control
35	Yangjiang Yangdong Yueyun Langri Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 1,000,000.00	RMB 1,794,686.61	100	100	Business combinations involving enterprises under common control
36	Yangchun City Yueyun Langri Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 150,000.00	RMB 150,000.00	100	100	Business combinations involving enterprises under common control
37	Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic transportation	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
38	Yangxi County Yueyun Langri Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong	China	Guangdong	Domestic Transportation	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
39	Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,682,600.00	RMB 2,146,740.93	51	51	Business combinations involving enterprises under common control
40	Zhongshan City Eastern Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 630,000.00	RMB 630,000.00	100	100	Business combinations involving enterprises under common control
41	Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 3,700,000.00	70	70	Business combinations involving enterprises under common control
42	Guangzhou City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 503,000.00	RMB 3,853,222.62	51	51	Business combinations involving enterprises under common control
43	Guangzhou City Yueyun Public Bus Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 900,000.00	RMB 900,000.00	100	100	Business combinations involving enterprises under common control
44	Guangzhou City Yueyun Auto Maintenance Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Maintenance services	RMB 100,000.00	RMB 100,000.00	100	100	Business combinations involving enterprises under common control
45	Guangzhou City Zhengcheng Automobile Passenger Traffic Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 30,000,000.00	RMB 42,000,000.00	60	60	Business combinations involving enterprises under common control
46	Guangdong Yuntong Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 1,296,513.20	100	100	Business combinations involving enterprises under common control
47	Heyuan City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	RMB 151,868,560.65	51	51	Business combinations involving enterprises under common control
48	Foshan City Yueyun Heping Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 1,020,408.00	RMB 5,247,896.42	51	51	Business combinations involving enterprises under common control
49	Zhaoqing High-tech Zone Yueyun Development Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station reconstruction	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Established
50	Yang Jiang City Yueyun Langri Fuels Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Fuel retail	RMB 3,000,000.00	RMB 3,000,000.00	100	100	Established
51	Yang Jiang City Yueyun Langri Logistics Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	General freight	RMB 2,000,000.00	RMB 2,000,000.00	100	100	Established
52	Long Chuan County Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 9,500,000.00	RMB 9,500,000.00	100	100	Established

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
53	Yang Jiang City Yueyun Langri Property Development Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Property development	RMB 23,033,300.00	RMB 23,033,300.00	100	100	Established
54	Guangdong Gangdong Vehicles Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 5,000,000.00	HKD 5,000,000.00	100	100	Established
55	Yang Jiang City Yueyun Langri International Travel Service Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism services	RMB 500,000.00	RMB 500,000.00	100	100	Established
56	Guangzhou Yueyun Software Technology Co., Ltd. (Formerly known as Guangzhou Yueyun Insurance Surveyors And Loss Adjusters Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Software development	RMB 2,000,000.00	RMB 1,020,000.00	51	51	Established
57	Heyuan City Chergriang Freight Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Established
58	Zijin County Yueyun Property Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property management	RMB 6,500,000.00	RMB 6,500,000.00	100	100	Established
59	Guangzhou Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 48,000,000.00	RMB 48,000,000.00	100	100	Established
60	Heyuan City Yueyun Tongxing Travel Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Business combinations involving enterprises not under common control
61	Heyuan City Yueyun Ludu Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 9,000,000.00	RMB 52,500,000.00	100	100	Business combinations involving enterprises not under common control
62	Yang Jiang City Yangzha New Image Public Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,000,000.00	RMB 7,405,000.00	100	100	Business combinations involving enterprises not under common control
63	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics Services	RMB 9,800,000.00	RMB 2,000,101.06	100	100	Established
64	Yangjiang City Yueyun Langri Advertising Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Advertising Services	RMB 3,000,000.00	RMB 1,500,000.00	100	100	Established

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
65	Liangping County Zhongxin Town Yueyun Property Leasing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 5,445,000.00	RMB 500,000.00	100	100	Established
66	Heyuan City Yuancheng District Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Established
67	Liangping County Yueyun Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Established
68	Dongyuan County Dengta Town Yueyun Property Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 500,000.00	RMB 500,000.00	100	100	Established
69	Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 50,000,000.00	RMB 265,540,000.00	61.75	61.75	Business combinations involving enterprises not under common control
70	Yangshen County Yueyun Motor Inspection Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Inspection	RMB 400,000.00	RMB 400,000.00	100	100	Business combinations involving enterprises not under common control
71	Qingyuan City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	RMB 3,000,000.00	100	100	Business combinations involving enterprises not under common control
72	Qingyuan City Jinyu Vehicles Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Leasing	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises not under common control
73	Shaoguan Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 142,779,951.08	RMB 176,540,926.56	59.70	59.70	Business combinations involving enterprises not under common control
74	Renhua County Feima Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises not under common control
75	Shaoguan Polycom Motor Vehicles Driving Training Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Motor Driver Training	RMB 1,000,000.00	RMB 1,179,130.00	100	100	Business combinations involving enterprises not under common control
76	Shaoguan City Zhixin Trade Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Leasing and Trading	RMB 4,449,275.00	RMB 4,449,275.00	100	100	Business combinations involving enterprises not under common control

**IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)**

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
77	Shaoguan City Xian Tourist Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,700,000.00	RMB 1,700,000.00	100	100	Business combinations involving enterprises not under common control
78	Shaoguan City Xian Traffic Travel Agency Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism Services	RMB 300,000.00	RMB 300,000.00	100	100	Business combinations involving enterprises not under common control
79	Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 110,000.00	RMB 110,000.00	100	100	Business combinations involving enterprises not under common control
80	Lechang City Pingshi Yongtong Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	RMB 500,000.00	100	100	Business combinations involving enterprises not under common control
81	Shiwo County Junxing City-Village Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,000,000.00	RMB 510,000.00	51	51	Business combinations involving enterprises not under common control
82	Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	RMB 1,530,000.00	51	51	Business combinations involving enterprises not under common control
83	Shantou office of Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 2,000,000.00	RMB 1,020,000.00	51	51	Business combinations involving enterprises not under common control
84	Zhaoqing Yueyun Travel Service Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism Services	RMB 1,000,000.00	RMB 1,000,000.00	100	100	Established
85	Yangjiang Yueyun Langri Vehicles Driving Training Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Motor Driver Training	RMB 3,000,000.00	RMB 2,000,000.00	100	100	Established
86	Shanwei Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 35,000,000.00	RMB 67,334,634.63	51	51	Business combinations involving enterprises not under common control
87	Liuqing Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 40,000,000.00	RMB 32,424,045.42	100	100	Business combinations involving enterprises not under common control
88	Hailong Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 30,000,000.00	RMB 36,788,965.14	100	100	Business combinations involving enterprises not under common control

**IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**1 The subsidiaries of the Group as at the end of 2017 and 2016 (Continued)**

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
88	Shanwei City Yueyun New Energy Vehicles Service Co., Ltd. (Formerly known as Shanwei General Coach Terminal Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Station Service	RMB 110,000.00	RMB 8,494,497.73	100	100	Business combinations involving enterprises not under common control
90	Shanwei City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 580,000.00	RMB 1,370,792.00	85	85	Business combinations involving enterprises not under common control
91	Haili County Yueyun Coach Terminal Co., Ltd. (Formerly known as Haili Coach Terminal Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Station Service	RMB 6,640,000.00	RMB 6,640,000.00	100	100	Business combinations involving enterprises not under common control
92	Guangdong Yueyun Development Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Commercial Service	RMB 13,000,000.00	RMB 13,000,000.00	100	100	Established
93	Haili County Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 10,000,000.00	—	100	100	Established
94	Lufeng Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 10,000,000.00	—	100	100	Established
95	Lufeng Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 10,000,000.00	—	100	100	Established
96	Yangjiang Yueyun Langri Taxi Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 5,000,000.00	—	100	100	Established
97	Heyuan Yue Payment Technology Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Development and sale of smart cards and electronic payment systems	RMB 1,000,000.00	RMB 1,816,300.00	70	70	Business combinations involving enterprises not under common control
98	Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 2,000,000.00	RMB 15,114,900.00	100	100	Business combinations involving enterprises not under common control
99	Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	RMB 3,000,000.00	100	100	Business combinations involving enterprises not under common control

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



## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2 Subsidiaries acquired through establishment or investment during the year

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage	Voting rights percentage
1	Yangjiang High-tech Zone Yueyun Langri Enterprise Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 20,000,000.00	—	65	65
2	Guangzhou City Yueyun Langri Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	RMB 5,000,000.00	100	100
3	Yangjiang City Hailing Yueyun Langri Travel Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	—	65	65
4	Zhaoqing City Yueyun Car Leasing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Rentals of Vehicles	RMB 1,000,000.00	RMB 1,000,000.00	100	100
5	Foshan Nanhai Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	—	70	70

(Expressed in Renminbi Yuan)

**IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**3 Subsidiaries acquired through business combination under common control during the year**

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage	Voting rights percentage
1	Guangdong Yangjiang Vehicles Transportation Goup Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 47,321,932.19	RMB 54,873,484.78	100	100
2	Yangjiang City Yueyun Langri Vehicles Technology Service Co., Ltd. (Formerly known as Yangjiang City Jiqiang Automobile Sales & Maintenance Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Repairing Service	RMB 1,000,000.00	RMB 1,000,000.00	100	100
3	Yangchun City Chunjiang Vehicles Transportation Co., Ltd. (Formerly known as Yangjiang City No.2 Motor Transportation Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,111,937.42	RMB 3,111,937.42	100	100
4	Yangchun Taiyuan Property Management Co., Ltd. (Formerly known as Guangdong Yangchun City Taiyuan Industrial Development Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 1,152,769.62	RMB 1,152,769.62	100	100
5	Yangjiang City Tongguan Vehicles Comprehensive Performance Testing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Testing	RMB 1,000,000.00	—	100	100

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

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Year end actual investment	Shareholding percentage	Voting rights percentage
1	Huaiji County Yueyun City-Village Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 2,930,700.00	RMB 10,000,000.00	100	100
2	Yangshan County Shuntong Transportation Services Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 300,000.00	RMB 10,750,000.00	100	100

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 5 Business combinations involving enterprises under common control during the year

On 11 August 2017, the combination date, the Group's subsidiary, Guangdong Yueyun Langri Co., Ltd., obtained 100% equity interests of Guangdong Yangjiang Vehicles Transportation Group Co., Ltd. ("Yangjiang Vehicles Transportation") and its subsidiaries (collectively "Yangjiang Vehicles Transportation Group") at a consideration of RMB 73,552,900.00. As of 31 December 2017, the Group has paid RMB 29,065,900.00 by cash. The remaining consideration will be paid by 11 August 2018.

Yangjiang Vehicles Transportation was established on 20 January 1998 in Yangjiang, Guangdong province. It is mainly engaged in providing city bus transportation services and passenger and freight transportation services. Yangjiang Vehicles Transportation holds 5 subsidiaries, including Yangjiang City Yueyun Langri Vehicles Technology Service Co., Ltd., Yangchun City Chunjiang Vehicles Transportation Co., Ltd., Yangchun City Passenger&Cargo Transportation Co., Ltd., Yangchun Taiyun Property Management Co., Ltd. and Yangjiang City Tongguwan Vehicles Comprehensive Performance Testing Co., Ltd. Yangjiang Vehicles Transportation and the Company are both ultimately controlled by GCGC. Prior to the combination, Yangjiang Vehicles Transportation Group was immediately held by Guangzhou Yueyun Investment Management Co., Ltd., which was a subsidiary of GCGC.

The carrying amounts of the assets and liabilities of Yangjiang Vehicles Transportation Group in the financial statements of the ultimate controlling party are as follows:

	<b>11 August 2017</b>	31 December 2016
	<b>RMB</b>	RMB
Current assets	<b>7,401,451.97</b>	6,069,155.13
Fixed assets	<b>7,776,156.95</b>	8,102,514.06
Intangible assets	<b>23,246,138.72</b>	23,860,445.65
Current liabilities	<b>(12,751,956.20)</b>	(12,501,494.44)
Non-current liabilities	<b>(110,263.06)</b>	(110,263.06)
Net assets	<b>25,561,528.38</b>	25,420,357.34

According to the Accounting Standards for Business Enterprises, Yangjiang Vehicles Transportation Group was included in the scope of the consolidation as if the combination had occurred at the date that the ultimate controlling party GCGC first obtained control. According to Note II (7) (b), the Group made retrospective adjustments to the comparative figures of the consolidated financial statements.

#### IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

##### 6 Business combinations involving enterprises not under common control during the year

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

The fair value of the identifiable net assets of Huaiji County Yueyun City-Village Public Transportation Co., Ltd. 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 province. It is mainly engaged in providing passenger transportation services and city bus transportation services. Before the acquisition, its ultimate holding company was Huaiji County Ning Tong Public Transportation Co., Ltd.

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

	<b>From 12 January 2017 (acquisition date) to 31 December 2017 RMB</b>
Revenue	<b>4,506,500.50</b>
Net profit	<b>1,933,045.10</b>
Net cash inflow	<b>3,157,037.49</b>

The identifiable assets and liabilities are as follows:

	<b>12 January 2017</b>		31 December 2016
	<b>Carrying Amount</b>	<b>Fair value</b>	Carrying Amount
	<b>RMB</b>	<b>RMB</b>	RMB
Current assets	<b>85,025.71</b>	<b>85,879.58</b>	1,511.27
Fixed assets	<b>2,060,811.09</b>	<b>2,006,972.14</b>	2,075,801.29
Intangible assets	—	<b>7,207,148.28</b>	—
Current liabilities	—	—	(1,511.27)
Identifiable net assets	<b><u>2,145,836.80</u></b>	<b><u>9,300,000.00</u></b>	<u>2,075,801.29</u>

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 6 Business combinations involving enterprises not under common control during the year

(Continued)

On 1 August 2017, the acquisition date, the Group's subsidiary, Qingyuan Yueyun Vehicles Transportation Co., Ltd. acquired 100% equity interests of Yangshan County Shuntong Transportation Co., Ltd. by paying cash of RMB 11,550,000.00 as acquisition costs. As of 31 December 2017, the Group already paid RMB 10,750,000.00 by cash.

The fair value of the identifiable net assets of Yangshan County Shuntong Transportation Co., Ltd. as at the acquisition date was RMB 11,550,000.00.

Yangshan County Shuntong Transportation Co., Ltd. was established on 12 March 2004 in Qingyuan, Guangdong. It is mainly engaged in providing passenger and freight transportation services and management services. Before the acquisition, it was ultimately held by individual shareholders, Ma Zhijian and Ma Yugui.

Key financial information of Yangshan County Shuntong Transportation Co., Ltd. is as follows:

	<b>From 1 August 2017 (acquisition date) to 31 December 2017 RMB</b>
Revenue	<b>1,703,107.36</b>
Net profit	<b>184,409.89</b>
Net cash inflow	<b>3,946,915.53</b>

The identifiable assets and liabilities are as follows:

	<b>1 August 2017</b>		31 December 2016
	<b>Carrying Amount</b>	<b>Fair value</b>	Carrying Amount
	<b>RMB</b>	<b>RMB</b>	RMB
Current assets	<b>1,069,304.98</b>	<b>1,069,304.98</b>	1,024,261.40
Fixed assets	<b>2,803,383.32</b>	<b>3,053,484.19</b>	335,117.36
Intangible assets	—	<b>10,816,070.66</b>	—
Current liabilities	<b>(3,388,859.83)</b>	<b>(3,388,859.83)</b>	(885,792.24)
Identifiable net assets	<b>483,828.47</b>	<b>11,550,000.00</b>	473,586.52

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

### 7 Former subsidiaries that ceased to be consolidated during the year

Yangchun City Chunjiang Vehicles Transportation Co., Ltd., a subsidiary of the Group, merged by absorption its subsidiary, Yangchun City Passenger&Cargo Transportation Co., Ltd. on 19 September 2017. Yangchun City Passenger&Cargo Transportation Co., Ltd. completed its deregistration on the same day.

Yue Kong Shipping Co., Ltd., a subsidiary of the Group, completed its deregistration on 17 March 2017. Its operating results and cash flows before the date of deregistration have been included in the Group's consolidated income statement and consolidated cash flow for the current year.

The Group formerly held 55% of voting rights in Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd. ("Roadnet Innovalues Media"), which was a subsidiary of the Group. According to the board resolution reached in September 2017 and the revised articles of association of Roadnet Innovalues Media, the Group's voting right was reduced to 50% with effect from 1 October 2017. Accordingly, the Group lost the control in Roadnet Innovalues Media and changed to use equity method account for investment in Roadnet Innovalues Media in subsequent measurement. The investment loss of RMB 321,220.48 arising from the lost of control in Roadnet Innovalues Media was recorded in the consolidated financial statements for the current year.

### 8 Material non-controlling interests

Ownership interests held by non-controlling interests ("NCI") of the Company's subsidiaries that are material to the Group are set out as follows:

#### 2017

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to NCI during the year	Dividends paid to NCI during the year	Other changes during the year	Accumulated NCI at the end of the year
		RMB	RMB	RMB	RMB
The Motor Transport Company of Guangdong and Hong Kong Limited	38%	10,404,179.89	(2,064,638.51)	(6,930,359.46)	114,708,535.08
Foshan City Yueyun Public Transportation Co., Ltd.	49%	11,708,566.96	(7,605,987.81)	(314,793.83)	150,137,041.66
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	46.38%	16,220,998.71	(11,594,848.93)	(7,480,723.94)	145,773,449.61
Guangdong Yueyun Langri Co., Ltd.	49%	27,363,681.43	(15,361,500.00)	(11,676,789.20)	191,342,580.41
Heyuan City Yueyun Motor Transportation Co., Ltd.	49%	7,270,345.16	(6,717,496.37)	(128,477.18)	119,839,059.66
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	38.25%	16,531,224.44	(17,210,925.00)	710,884.61	182,020,228.65
Guangdong Shaoguan Vehicles Transportation Group Co., Ltd.	40.30%	3,824,757.64	(34,484,841.28)	(10,425,193.79)	122,339,683.09

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 8 Material non-controlling interests (Continued)

2016

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to NCI during the year RMB	Dividends paid to NCI during the year RMB	Other changes during the year RMB	Accumulated NCI at the end of the year RMB
The Motor Transport Company of Guangdong and Hong Kong Limited	38%	7,566,609.89	(2,205,230.63)	6,981,910.67	113,299,353.16
Foshan City Yueyun Public Transportation Co., Ltd.	49%	10,865,696.87	(7,693,000.00)	108,781.54	146,349,256.34
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	49%	15,494,285.70	(30,183,408.77)	(6,689,078.89)	148,628,023.77
Guangdong Yueyun Langri Co., Ltd. (Restated)	49%	34,775,523.67	(13,825,350.00)	5,871,313.33	191,017,188.18
Heyuan City Yueyun Motor Transportation Co., Ltd.	49%	7,109,384.51	(1,369,241.46)	1,211,306.35	119,414,688.05
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	38.25%	23,962,643.78	(14,749,715.13)	17,103,381.55	181,989,044.60
Guangdong Shaoguan Vehicles Transportation Group Co., Ltd.	43.14%	11,084,967.12	(9,094,753.45)	(923,970.84)	163,424,960.52

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## 8 Material non-controlling interests (Continued)

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made in light of the fair value at the consolidation date and difference in accounting policies:

	2017						
	The Motor Transport Company of Guangdong and Hong Kong Limited	Foshan City Yueyun Public Transportation Co., Ltd.	Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Guangdong Yueyun Langri Co., Ltd.	Heyuan City Yueyun Motor Transportation Co., Ltd.	Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Shaoguan Vehicles Transportation Group Co., Ltd.
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Current assets	189,375,369.60	80,922,719.10	98,720,536.59	175,490,944.03	120,376,220.37	343,027,691.32	124,772,846.86
Non-current assets	189,069,902.66	320,799,509.59	286,238,497.16	561,513,076.13	524,419,731.06	446,172,719.76	322,214,742.01
Total assets	<u>378,445,272.26</u>	<u>401,722,228.69</u>	<u>384,959,033.75</u>	<u>737,004,020.16</u>	<u>644,795,951.43</u>	<u>789,200,411.08</u>	<u>446,987,588.87</u>
Current liabilities	(61,182,176.08)	(81,541,449.95)	(71,125,362.40)	(218,060,023.92)	(147,381,564.32)	(167,329,929.67)	(131,121,561.50)
Non-current liabilities	(8,001,617.27)	(13,778,652.91)	(2,828,000.00)	(147,951,456.67)	(253,270,284.75)	(145,957,228.03)	(36,925,282.97)
Total liabilities	<u>(69,183,793.35)</u>	<u>(95,320,102.86)</u>	<u>(73,953,362.40)</u>	<u>(366,011,480.59)</u>	<u>(400,651,849.07)</u>	<u>(313,287,155.70)</u>	<u>(168,046,844.47)</u>
Operating income	241,476,502.88	359,467,595.90	438,041,646.24	586,812,448.18	237,197,365.36	434,589,953.69	213,652,674.05
Net profit for the year	27,103,189.17	23,895,034.61	33,104,079.01	54,468,200.86	14,957,918.24	43,222,842.46	23,408,380.93
Total comprehensive income	6,708,418.47	23,895,034.61	33,104,079.01	54,468,200.86	14,957,918.24	43,609,054.55	23,408,380.93
Net cash inflow from operating activities	13,786,480.53	73,480,293.99	82,064,980.73	91,551,617.81	28,099,868.25	56,550,657.85	37,146,067.28
	2016						
	The Motor Transport Company of Guangdong and Hong Kong Limited	Foshan City Yueyun Public Transportation Co., Ltd.	Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Guangdong Yueyun Langri Co., Ltd. (Restated)	Heyuan City Yueyun Motor Transportation Co., Ltd.	Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Shaoguan Vehicles Transportation Group Co., Ltd.
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Current assets	209,818,376.01	75,323,350.98	94,679,637.00	149,289,637.11	141,389,302.59	390,369,674.00	151,000,077.36
Non-current assets	173,689,838.88	325,915,890.64	296,810,117.27	507,931,058.01	550,559,438.95	398,812,218.34	307,291,141.74
Total assets	<u>383,508,214.89</u>	<u>401,239,241.62</u>	<u>391,489,754.27</u>	<u>657,220,695.12</u>	<u>691,948,741.54</u>	<u>789,181,892.34</u>	<u>458,291,219.10</u>
Current liabilities	(67,240,973.04)	(81,787,866.19)	(82,165,256.79)	(145,968,026.32)	(237,440,065.64)	(165,480,138.58)	(115,448,187.34)
Non-current liabilities	(9,104,935.71)	(20,779,423.72)	(6,002,000.00)	(100,796,277.29)	(208,036,711.89)	(147,870,032.80)	(45,089,344.78)
Total liabilities	<u>(76,345,908.75)</u>	<u>(102,567,289.91)</u>	<u>(88,167,256.79)</u>	<u>(246,764,303.61)</u>	<u>(445,476,777.53)</u>	<u>(313,350,171.38)</u>	<u>(160,537,532.12)</u>
Operating income	235,010,587.59	369,383,950.29	471,272,841.62	595,835,032.29	239,084,870.04	412,289,602.34	229,937,146.77
Net profit for the year	19,978,389.01	22,174,891.57	31,620,991.23	71,328,659.91	14,492,603.96	62,653,167.70	25,477,745.72
Total comprehensive income	38,740,430.31	22,174,891.57	31,620,991.23	71,328,659.91	14,492,603.96	62,653,167.70	25,477,745.72
Net cash inflow from operating activities	42,738,230.67	77,757,245.66	90,427,419.07	123,799,891.41	67,936,026.02	66,191,480.13	58,402,467.73



## IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

As at 31 December 2017, overseas subsidiaries translate all asset and liability items in their balance sheet by applying the spot exchange rate at the year end as HKD 1 against RMB 0.8359; and all items in the income statement and items reflecting the distributions of profits are translated by applying the average exchange rate during the year as HKD 1 against RMB 0.8652.

## V. NOTES TO THE FINANCIAL STATEMENTS

### 1 Cash at bank and on hand

The Group

	2017			2016		
	Original currency	Exchange Rate	Amount in RMB	Original currency	Exchange Rate	Amount in RMB (Restated)
Cash on hand						
RMB	—	—	15,600,488.33	—	—	15,563,338.18
HKD	127,559.91	0.8359	106,627.33	140,808.17	0.8945	125,952.91
Deposits with banks						
RMB	—	—	1,232,478,533.50	—	—	1,421,478,227.95
USD	2,653,028.98	6.5342	17,335,421.96	1,935,057.17	6.9369	13,423,298.08
HKD	65,365,966.30	0.8359	54,639,411.23	111,069,693.91	0.8945	99,351,841.20
Deposits in						
GCG Finance (Note1)						
RMB	—	—	481,695,810.07	—	—	50,252,470.02
Other monetary funds (Note2)						
RMB	—	—	10,154,506.90	—	—	8,113,208.72
HKD	1,800,000.00	0.8359	1,504,620.00	1,800,000.00	0.8945	1,610,100.00
Total			<u>1,813,515,419.32</u>			<u>1,609,918,437.06</u>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 Cash at bank and on hand (Continued)

The Company

	2017			2016		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
Cash on hand						
RMB	—	—	142.39	—	—	507.69
Deposits with banks						
RMB	—	—	641,042,216.86	—	—	1,058,899,557.75
Deposits in						
GCG Finance (Note1)						
RMB	—	—	288,488,667.20	—	—	50,252,470.02
Total			<u>929,531,026.45</u>			<u>1,109,152,535.46</u>

Note1: Deposits in Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") refer to deposits in GCG Finance (Note VI. 4 (p)), a wholly-owned subsidiary of GCGC (Note VI. 4 (d)). GCG Finance is a company incorporated in the PRC and a non-banking financial institution with the financial institution licence issued by the China Banking Regulatory Commission.

Note2: Other monetary funds as at 31 December 2017 comprise security deposits for letter of guarantee, property maintenance funds and tourism quality deposits with total amount of RMB 11,659,126.90 (31 December 2016: RMB9,723,308.72).

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**2 Bills receivable**

## (1) Classification of bills receivable

	The Group		The Company	
	2017 RMB	2016 RMB	2017 RMB	2016 RMB
Bank acceptance bills	<u>36,505,607.26</u>	<u>5,637,453.96</u>	<u>—</u>	<u>5,448,453.96</u>

The above bills receivable are due within one year.

- (2) The Group and the Company had no undue discounted bank acceptance bills or undue endorsed bank acceptance bills at 31 December 2017 and 31 December 2016.

**3 Accounts receivable***The Group*

- (1) Accounts receivable by category:

	2017				2016			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount (Restated)		Provision for bad and doubtful debts (Restated)	
	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Individually significant and assessed individually for impairment	504,789,862.15	53.70	43,547,726.49	8.63	375,249,916.54	54.12	43,727,419.34	11.65
Individually insignificant but assessed individually for impairment	<u>435,192,030.30</u>	<u>46.30</u>	<u>20,590,344.87</u>	<u>4.73</u>	<u>318,177,999.31</u>	<u>45.88</u>	<u>26,188,986.69</u>	<u>8.23</u>
Total	<u>939,981,892.45</u>	<u>100.00</u>	<u>64,138,071.36</u>	<u>6.82</u>	<u>693,426,915.85</u>	<u>100.00</u>	<u>69,916,406.03</u>	<u>10.08</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**3 Accounts receivable** (Continued)*The Group (Continued)*

(2) The ageing analysis of accounts receivable is as follows:

**As at 31 December 2017**

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 3 months (inclusive)	696,463,205.15	—	696,463,205.15
Over 3 months and within 6 months (inclusive)	46,033,980.98	—	46,033,980.98
Over 6 months and within 1 year (inclusive)	31,265,516.46	503,370.90	30,762,145.56
Over 1 year and within 2 years (inclusive)	25,760,019.48	630,707.44	25,129,312.04
Over 2 years and within 3 years (inclusive)	14,079,988.79	3,422,711.70	10,657,277.09
Over 3 years	126,379,181.59	59,581,281.32	66,797,900.27
Total	<u>939,981,892.45</u>	<u>64,138,071.36</u>	<u>875,843,821.09</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**3 Accounts receivable** (Continued)*The Group (Continued)*

(2) The ageing analysis of accounts receivable is as follows: (Continued)

As at 31 December 2016

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
			(Restated)
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	127,263,301.43	63,726,711.28	63,536,590.15
Total	<u>693,426,915.85</u>	<u>69,916,406.03</u>	<u>623,510,509.82</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 3 Accounts receivable (Continued)

The Group (Continued)

(3) An analysis of the movements of provisions for impairment of receivables for the year is as follows:

	The Group	
	2017 RMB	2016 RMB (Restated)
Balance at the beginning of the year	69,916,406.03	41,540,496.79
Addition during the year	2,991,698.17	36,595,521.72
Reversal during the year	(8,755,430.05)	(8,093,759.68)
Written-off during the year	(14,602.79)	(132,649.87)
Changes in consolidation scope resulting from business combinations	—	6,797.07
Balance at the end of the year	<b>64,138,071.36</b>	<b>69,916,406.03</b>

The Company

(1) Accounts receivable by category:

	2017				2016			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)	Amount RMB	Percentage (%)
Individually significant and assessed individually for impairment	335,649,102.05	77.81	34,049,993.28	10.14	240,469,625.26	81.14	33,700,304.28	14.01
Individually insignificant but assessed individually for impairment	95,697,157.22	22.19	12,259,641.93	12.81	55,876,356.14	18.86	17,036,558.15	30.49
Total	<b>431,346,259.27</b>	<b>100.00</b>	<b>46,309,635.21</b>	<b>10.74</b>	<b>296,345,981.40</b>	<b>100.00</b>	<b>50,736,862.43</b>	<b>17.12</b>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**3 Accounts receivable** (Continued)*The Company (Continued)*

(2) The ageing analysis of accounts receivable is as follows:

**As at 31 December 2017**

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 3 months (inclusive)	294,606,115.89	—	294,606,115.89
Over 3 months and within 6 months (inclusive)	9,301,842.98	—	9,301,842.98
Over 6 months and within 1 year (inclusive)	17,694,240.35	—	17,694,240.35
Over 1 year and within 2 years (inclusive)	5,050,021.00	—	5,050,021.00
Over 2 years and within 3 years (inclusive)	4,879,044.80	—	4,879,044.80
Over 3 years	99,814,994.25	46,309,635.21	53,505,359.04
Total	<u>431,346,259.27</u>	<u>46,309,635.21</u>	<u>385,036,624.06</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**3 Accounts receivable** (Continued)*The Company (Continued)*

(2) The ageing analysis of accounts receivable is as follows: (Continued)

As at 31 December 2016

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	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	<u>104,841,492.28</u>	<u>50,155,503.22</u>	<u>54,685,989.06</u>
Total	<u><u>296,345,981.40</u></u>	<u><u>50,736,862.43</u></u>	<u><u>245,609,118.97</u></u>

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



**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**3 Accounts receivable** (Continued)*The Company* (Continued)

(3) An analysis of the movements of provisions for impairment of receivables for the year is as follows:

	<b>The Company</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Balance at the beginning of the year	<b>50,736,862.43</b>	34,045,633.46
Addition during the year	—	21,918,429.97
Reversal during the year	<b>(4,427,227.22)</b>	(5,227,201.00)
Balance at the end of the year	<b><u>46,309,635.21</u></b>	<u>50,736,862.43</u>

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

At 31 December 2017, accounts receivable of the Group and the Company amounting to RMB 111,450,745.75 and RMB 52,380,810.64 (2016(Restated): RMB 122,423,222.45 and RMB 59,264,115.26), respectively, were individually determined to be impaired. The individually impaired accounts receivable related to customers with poor financial performance and management assessed that only a portion of the accounts receivable is expected to be recovered. Consequently, the Group and the Company recognised provisions for bad and doubtful debts of RMB 64,138,071.36 and RMB 46,309,635.21 (2016 (Restated): RMB 69,916,406.03 and RMB 50,736,862.43), respectively.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4 Prepayments

- (1) The ageing analysis of prepayments is as follows:

*The Group*

	2017				2016			
	Amount	Percentage	Provision for impairment	Carrying amount	Amount	Percentage	Provision for impairment	Carrying amount
	RMB	(%)	RMB	RMB	RMB	(%)	RMB	RMB
Within 1 year (inclusive)	316,008,436.08	39.72	—	316,008,436.08	224,443,923.57	31.70	—	224,443,923.57
Over 1 year but within 2 years (inclusive)	2,258,578.67	0.28	—	2,258,578.67	7,721,484.31	1.09	—	7,721,484.31
Over 2 years but within 3 years (inclusive)	2,089,506.40	0.27	—	2,089,506.40	899,272.78	0.13	727.80	898,544.98
Over 3 years	475,215,749.77	59.73	474,087,111.82	1,128,637.95	474,865,299.90	67.08	474,086,020.12	799,279.78
Total	<u>795,572,270.92</u>	<u>100.00</u>	<u>474,087,111.82</u>	<u>321,485,159.10</u>	<u>707,949,980.56</u>	<u>100.00</u>	<u>474,086,747.92</u>	<u>233,863,232.64</u>

*The Company*

	2017				2016			
	Amount	Percentage	Provision for impairment	Carrying amount	Amount	Percentage	Provision for impairment	Carrying amount
	RMB	(%)	RMB	RMB	RMB	(%)	RMB	RMB
Within 1 year (inclusive)	117,033,332.90	19.79	—	117,033,332.90	12,085,225.64	2.48	—	12,085,225.64
Over 1 year but within 2 years (inclusive)	771.95	—	—	771.95	2,661.68	—	—	2,661.68
Over 2 years but within 3 years (inclusive)	2,661.68	—	—	2,661.68	153,946.50	0.03	—	153,946.50
Over 3 years	474,426,021.57	80.21	474,065,484.25	360,537.32	474,583,447.81	97.49	474,065,484.25	517,963.56
Total	<u>591,462,788.10</u>	<u>100.00</u>	<u>474,065,484.25</u>	<u>117,397,303.85</u>	<u>486,825,281.63</u>	<u>100.00</u>	<u>474,065,484.25</u>	<u>12,759,797.38</u>

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

- (2) As at 31 December 2017, individually significant prepayments aged over 3 years mainly include a payment for purchase of materials of RMB 474,065,484.25. The Company has filed a lawsuit and prevailed in previous year and made full provision for the prepayment in previous years in view of the poor financial condition of the debtors.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**5 Other receivables***The Group*

(1) Other receivables by category:

	2017				2016			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)
Individually significant and assessed individually for impairment	305,974,288.16	63.82	50,280,817.75	16.43	275,585,712.74	64.15	45,409,184.39	16.48
Individually insignificant but assessed individually for impairment	173,479,109.48	36.18	18,913,171.95	10.90	154,036,891.62	35.85	17,177,914.17	11.15
Total	479,453,397.64	100.00	69,193,989.70	14.43	429,622,604.36	100.00	62,587,098.56	14.57

(2) The ageing analysis of other receivables is as follows:

**As at 31 December 2017**

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 1 year (inclusive)	212,536,053.00	—	212,536,053.00
Over 1 year but within 2 years (inclusive)	73,395,175.70	2,038,767.33	71,356,408.37
Over 2 years but within 3 years (inclusive)	20,334,613.57	86,045.82	20,248,567.75
Over 3 years	173,187,555.37	67,069,176.55	106,118,378.82
Total	479,453,397.64	69,193,989.70	410,259,407.94

**V. NOTES TO THE FINANCIAL STATEMENTS** *(Continued)***5 Other receivables***(Continued)**The Group (Continued)*(2) The ageing analysis of other receivables is as follows: *(Continued)*

As at 31 December 2016

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
			(Restated)
Within 1 year (inclusive)	193,248,122.45	—	193,248,122.45
Over 1 year but within			
2 years (inclusive)	50,399,145.08	73,893.36	50,325,251.72
Over 2 years but within			
3 years (inclusive)	57,798,548.59	973,677.26	56,824,871.33
Over 3 years	<u>128,176,788.24</u>	<u>61,539,527.94</u>	<u>66,637,260.30</u>
Total	<u><u>429,622,604.36</u></u>	<u><u>62,587,098.56</u></u>	<u><u>367,035,505.80</u></u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**5 Other receivables**(Continued)*The Group (Continued)*

(3) Other receivables by nature:

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Amount due from related parties		
Deposits	<b>35,862,589.67</b>	15,447,047.58
Others	<b>57,655,484.70</b>	61,548,390.66
Amount due from third parties		
Deposits	<b>105,820,882.75</b>	107,418,162.61
Government grants		
Subsidies for procurement of new energy vehicles	<b>56,194,040.00</b>	53,561,340.00
Subsidies for operation of new energy vehicles	<b>56,013,100.00</b>	16,850,000.00
Others	<b>3,064,580.00</b>	802,200.00
Staff advances	<b>23,154,258.47</b>	18,944,249.60
Insurance compensation relating to traffic accidents	<b>12,658,717.45</b>	11,188,258.11
Others	<b>129,029,744.60</b>	143,862,955.80
Subtotal	<b>479,453,397.64</b>	429,622,604.36
Less: Provision for bad and doubtful debts	<b>69,193,989.70</b>	62,587,098.56
Total	<b>410,259,407.94</b>	367,035,505.80

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5 Other receivables (Continued)

The Group (Continued)

(4) An analysis of the movements of provisions for impairment of other receivables for the year is as follows:

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Balance at the beginning of the year	<b>62,587,098.56</b>	60,261,697.63
Addition during the year	<b>11,412,175.34</b>	3,026,676.18
Reversal during the year	<b>(4,514,984.07)</b>	(1,071,834.25)
Written-off during the year	<b>(28,915.83)</b>	(723.44)
Changes in consolidation scope resulting from business combinations	<b>(261,384.30)</b>	371,282.44
Balance at the end of the year	<b>69,193,989.70</b>	62,587,098.56

The Company

(1) Other receivables by category:

	2017				2016			
	Carrying amount		Provision for bad and doubtful debts		Carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB	(%)	RMB	(%)	RMB	(%)	RMB	(%)
Individually significant and assessed individually for impairment	633,689,283.45	98.92	33,755,057.43	5.33	699,697,554.89	98.86	33,755,057.43	4.82
Individually insignificant but assessed individually for impairment	6,931,669.19	1.08	2,556,314.07	36.88	8,049,875.42	1.14	2,556,314.07	31.76
Total	<b>640,620,952.64</b>	<b>100.00</b>	<b>36,311,371.50</b>	<b>5.67</b>	<b>707,747,430.31</b>	<b>100.00</b>	<b>36,311,371.50</b>	<b>5.13</b>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**5 Other receivables** (Continued)*The Company* (Continued)

(2) The ageing analysis of other receivables is as follows:

**As at 31 December 2017**

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 1 year (inclusive)	212,343,313.22	—	212,343,313.22
Over 1 year but within 2 years (inclusive)	3,429,189.87	—	3,429,189.87
Over 2 years but within 3 years (inclusive)	299,737,912.91	—	299,737,912.91
Over 3 years	125,110,536.64	36,311,371.50	88,799,165.14
Total	<u>640,620,952.64</u>	<u>36,311,371.50</u>	<u>604,309,581.14</u>

**As at 31 December 2016**

	Amount	Provision for bad and doubtful debts	Carrying amount
	RMB	RMB	RMB
Within 1 year (inclusive)	277,334,582.79	—	277,334,582.79
Over 1 year but within 2 years (inclusive)	303,604,561.31	—	303,604,561.31
Over 2 years but within 3 years (inclusive)	25,888,741.43	—	25,888,741.43
Over 3 years	100,919,544.78	36,311,371.50	64,608,173.28
Total	<u>707,747,430.31</u>	<u>36,311,371.50</u>	<u>671,436,058.81</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**5 Other receivables** (Continued)*The Company (Continued)*

(3) Other receivables by nature:

	<b>The Company</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Amounts due from subsidiaries	<b>560,218,178.50</b>	644,415,093.12
Amount due from related parties		
Deposits	<b>13,532,349.11</b>	5,536,853.70
Others	<b>11,811,540.79</b>	12,829,409.58
Amount due from third parties		
Deposits	<b>16,750,192.09</b>	9,503,676.66
Others	<b>38,308,692.15</b>	35,462,397.25
Subtotal	<b>640,620,952.64</b>	707,747,430.31
Less: Provision for bad and doubtful debts	<b>36,311,371.50</b>	36,311,371.50
Balance at the end of the year	<b>604,309,581.14</b>	671,436,058.81

(4) An analysis of the movements of provisions for impairment of other receivables for the year is as follows:

	<b>The Company</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Balance at the beginning of the year	<b>36,311,371.50</b>	34,929,551.74
Addition for the year	—	1,381,819.76
Balance at the end of the year	<b>36,311,371.50</b>	36,311,371.50



**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**6 Inventories***The Group*

An analysis of the movements of inventories for the year is as follows:

	Balance at the beginning of the year RMB	Additions during the year RMB	Reductions during the year RMB	Balance at the end of the year RMB
Raw materials	27,054,873.54	249,866,030.90	(243,636,077.63)	33,284,826.81
Finished goods	91,858,470.95	2,945,417,281.55	(2,894,775,961.89)	142,499,790.61
Construction contracts (costs incurred but not settled)	4,632,110.20	13,628,736.69	(17,148,007.21)	1,112,839.68
Property under development	13,236,339.03	2,073,905.75	—	15,310,244.78
Sub-total	136,781,793.72	3,210,985,954.89	(3,155,560,046.73)	192,207,701.88
Less: Provision for impairment of inventories	(1,000,430.00)	(3,636,097.82)	—	(4,636,527.82)
Total	<u>135,781,363.72</u>	<u>3,207,349,857.07</u>	<u>(3,155,560,046.73)</u>	<u>187,571,174.06</u>

*The Company*

An analysis of the movements of inventories for the year is as follows:

	Balance at the beginning of the year RMB	Additions during the year RMB	Reductions during the year RMB	Balance at the end of the year RMB
Finished goods	2,479,099.78	1,029,061,130.37	(1,016,889,535.06)	14,650,695.09
Less: Provision for impairment of inventories	—	—	—	—
Total	<u>2,479,099.78</u>	<u>1,029,061,130.37</u>	<u>(1,016,889,535.06)</u>	<u>14,650,695.09</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**7 Other current assets**

	The Group		The Company	
	2017 RMB	2016 RMB	2017 RMB	2016 RMB
Deductable input VAT	<b>32,252,071.12</b>	35,163,156.32	—	—
Prepaid corporate income tax	<b>462,201.19</b>	2,090,611.76	—	—
Prepaid business tax and surcharges	<b>1,420,374.41</b>	1,335,866.26	—	—
Total	<b>34,134,646.72</b>	38,589,634.34	—	—

**8 Long-term receivables**

	Note V	The Group	
		2017 RMB	2016 RMB
Finance leases		<b>6,871,174.96</b>	12,321,930.22
Payment on behalf of third parties		<b>31,750,652.35</b>	31,750,652.35
Total		<b>38,621,827.31</b>	44,072,582.57
Less: Due within one year		<b>(31,140,847.55)</b>	(6,873,783.84)
Provision for bad and doubtful debts	19	<b>(3,211,168.14)</b>	—
Total		<b>4,269,811.62</b>	37,198,798.73

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**8 Long-term receivables** (Continued)

An analysis of the above finance leases receivable is as follows:

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Amount due from lessees	<b>8,770,021.68</b>	14,015,978.75
Less: Unearned finance income	<b>(1,898,846.72)</b>	(1,694,048.53)
Finance leases	<b><u>6,871,174.96</u></b>	<u>12,321,930.22</u>

The total future minimum lease receipts under finance leases after the balance sheet date are as follows:

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Within 1 year (inclusive)	<b>3,849,859.56</b>	6,873,783.84
Over 1 year but within 2 year (inclusive)	<b>2,781,450.06</b>	4,293,528.56
Over 2 year but within 3 years (inclusive)	<b>1,701,954.93</b>	1,079,180.57
Over 3 years	<b>436,757.13</b>	1,769,485.78
Sub-total	<b>8,770,021.68</b>	14,015,978.75
Less: Unearned finance income	<b>(1,898,846.72)</b>	(1,694,048.53)
Total	<b><u>6,871,174.96</u></b>	<u>12,321,930.22</u>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 Long-term equity investments

	Note	The Group		The Company	
		2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Investments in subsidiaries	(1)	—	—	1,139,275,429.77	1,139,275,429.77
Investments in joint ventures	(2)	76,744,877.65	39,379,501.46	—	—
Investments in associates	(3)	255,268,907.35	198,165,872.30	93,746,638.15	69,431,650.50
Total		<u>332,013,785.00</u>	<u>237,545,373.76</u>	<u>1,233,022,067.92</u>	<u>1,208,707,080.27</u>

(1) As at 31 December 2017, the Company's investments in subsidiaries were as follows:

Investee	Investment cost RMB	Balance at the beginning of the year	Increase/(Decrease) RMB	Balance at the end of the year	Shareholding percentage %	Voting rights percentage %	Cash dividend for the year RMB
		RMB		RMB			
Guangdong Top-E Expressway Service Zone Company Limited	98,831,192.00	98,831,192.00	—	98,831,192.00	95.56	95.56	19,534,982.58
Guangdong South China Logistics Enterprise Limited	207,632,494.21	207,632,494.21	—	207,632,494.21	100.00	100.00	91,107,886.77
Guangdong Highway Media Company Limited	19,800,000.00	19,800,000.00	—	19,800,000.00	60.00	60.00	1,107,364.34
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	25,319,234.10	25,319,234.10	—	25,319,234.10	62.00	62.00	—
The Motor Transport Company of Guangdong and Hong Kong Limited	120,196,428.59	120,196,428.59	—	120,196,428.59	62.00	62.00	3,307,956.54
Yueyun Transportation (HK) Company Limited	1,323,750.00	1,323,750.00	—	1,323,750.00	100.00	100.00	—
GVTG	666,172,330.87	666,172,330.87	—	666,172,330.87	100.00	100.00	—
Guangdong Province Transportation Engineering Company Limited (Note)	—	—	—	—	100.00	100.00	—
Total	<u>1,139,275,429.77</u>	<u>1,139,275,429.77</u>	<u>—</u>	<u>1,139,275,429.77</u>			<u>115,058,190.23</u>

Detailed information about the subsidiaries is set out in Note IV.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9 Long-term equity investments (Continued)

- (1) As at 31 December 2017, the Company's investments in subsidiaries were as follows: (Continued)

Note: Guangdong Province Transportation Engineering Company Limited had net liabilities at the combination date. Accordingly, the Company recognised the initial investment cost in Guangdong Province Transportation Engineering Company Limited as zero according to the Company's share of the carrying amount of its equity.

- (2) As at 31 December 2017, the Group's investments in joint ventures were as follows:

Name of investee	Investment cost	Balance at the beginning of the year	Increase/(Decrease)	Balance at the end of the year	Shareholding percentage (%)	Voting rights Percentage (%)	Cash dividend for the year
	RMB	RMB	RMB	RMB			RMB
(i) Material joint ventures							
Guangdong Zhong Yue Tong Oil Products Operation Company Limited ("Zhong Yue Tong")	15,000,000.00	38,865,991.54	(901,420.66)	37,964,570.88	50.00	50.00	15,000,000.00
Guangdong Zhongyou Top-E Energy Trading Company Limited ("Zhongyou Top-E Energy")	30,000,000.00	—	28,505,751.45	28,505,751.45	50.00	50.00	—
Sub-total	45,000,000.00	38,865,991.54	27,604,330.79	66,470,322.33			15,000,000.00
(ii) Immaterial joint ventures							
Roadnet Innovalues Media (Note 1)	5,906,850.00	—	5,585,531.94	5,585,531.94	50.00	50.00	—
Zhuhai Yuegong Xinhai Transportation Co., Ltd. (Note 2)	3,900,000.00	—	4,176,180.22	4,176,180.22	39.00	39.00	—
Guangdong Province Bus Terminal Co., Ltd.	500,000.00	513,509.92	(666.76)	512,843.16	50.00	50.00	—
Sub-total	10,306,850.00	513,509.92	9,761,045.40	10,274,555.32			—
Total	55,306,850.00	39,379,501.46	37,365,376.19	76,744,877.65			15,000,000.00

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(2) As at 31 December 2017, the Group's investments in joint ventures were as follows: (Continued)

Note 1: As mentioned in Note IV. 7, Roadnet Innovalues Media became a joint venture of the Group since 1 October 2017.

Note 2: At the end of this year, the Group held 39% equity interests in Zhuhai Yuegong Xinhai Transportation Co., Ltd. According to the articles of incorporation of Zhuhai Yuegong Xinhai Transportation Co., Ltd., the resolution of the shareholders' meeting must be adopted unanimously by the shareholder vote. Consequently, Zhuhai Yuegong Xinhai Transportation Co., Ltd. is a joint venture of the Group.

All joint ventures of the Group are non-listed companies. As at 31 December 2017, the ability to transfer fund from above joint ventures to the Group is not restricted (2016: nil).

(i) Details of the Group's material joint ventures are as follows:

Name of enterprise	Principal	Registered place	Registered capital	Shareholding Percentage	Business nature	Strategic to the Group's activities?
	Place of business					
Zhong Yue Tong	Guangdong	Guangdong	30,000,000.00	50%	Wholesale of oil	Yes
	China	China				
Zhongyou Top-E Energy	Guangdong	Guangdong	60,000,000.00	50%	Wholesale of oil	Yes
	China	China				

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(2) As at 31 December 2017, the Group's investments in joint ventures were as follows: (Continued)

(i) Details of the Group's material joint ventures are as follows: (Continued)

The following table sets out the key financial information of the Group's material joint venture, adjusted for fair value adjustments at the time of acquisition and the differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investment in the joint venture when using the equity method:

	<b>Zhong Yue Tong</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Current assets	<b>70,234,301.43</b>	69,906,205.05
Including: Cash and cash equivalents	<b>50,634,803.65</b>	60,377,530.84
Non-current assets	<b>8,682,675.94</b>	9,669,725.98
Total assets	<b>78,916,977.37</b>	79,575,931.03
Current liabilities	<b>(2,987,835.61)</b>	(1,843,947.95)
Total liabilities	<b>(2,987,835.61)</b>	(1,843,947.95)
Net assets	<b>75,929,141.76</b>	77,731,983.08
Group's share of net assets	<b>37,964,570.88</b>	38,865,991.54
Carrying amount of interests in joint venture	<b>37,964,570.88</b>	38,865,991.54
Operating income	<b>173,348,659.19</b>	110,004,583.48
Financial expenses	<b>794,034.13</b>	836,948.07
Income tax expense	<b>9,411,647.56</b>	6,399,947.15
Net profit	<b>28,197,158.67</b>	19,566,850.58
Other comprehensive income	—	—
Total comprehensive income	<b>28,197,158.67</b>	19,566,850.58

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(2) As at 31 December 2017, the Group's investments in joint ventures were as follows: (Continued)

(i) Details of the Group's material joint ventures are as follows: (Continued)

	<b>Zhongyou Top-E Energy</b>
	<b>2017 RMB</b>
Current assets	<b>41,322,947.74</b>
Including: Cash and cash equivalents	<b>40,443,600.28</b>
Non-current assets	<b>15,994,928.26</b>
Total assets	<b>57,317,876.00</b>
Current liabilities	<b>(306,373.10)</b>
Total liabilities	<b>(306,373.10)</b>
Net assets	<b>57,011,502.90</b>
Group's share of net assets	<b>28,505,751.45</b>
Carrying amount of interests in joint venture	<b>28,505,751.45</b>
Operating income	—
Financial expenses	<b>145,264.10</b>
Income tax expense	—
Net loss	<b>(2,988,497.10)</b>
Other comprehensive income	—
Total comprehensive income	<b>(2,988,497.10)</b>



## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9 Long-term equity investments (Continued)

(2) As at 31 December 2017, the Group's investments in joint ventures were as follows: (Continued)

(ii) Details of immaterial joint ventures accounted for using the equity method is summarised as follows:

	The Group	
	2017 RMB	2016 RMB
Aggregate carrying amount of investments	<b>10,274,555.32</b>	513,509.92
Aggregate amount of share of		
– Net profit/(loss)	<b>632,829.03</b>	(113,661.59)
– Other comprehensive income	—	—
– Total comprehensive income	<b>632,829.03</b>	(113,661.59)

(3) As at 31 December 2017, the Group's investments in associates were as follows:

Investee	Investment cost RMB	Balance at the	Increase/(decrease) RMB	Balance at	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
		Beginning of the year RMB		the end of the year RMB			
(i) Material associates							
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	45,539,883.19	25,590,327.45	71,130,210.64	25.00	25.00	—
Shenzhen Yueyun Investment Development Company Limited	48,590,602.00	47,729,264.92	543,318.98	48,272,583.90	20.00	20.00	—
Guangzhou City Tianhe Coach Terminal Co., Ltd.	2,000,000.00	16,954,303.37	3,803,641.77	20,757,945.14	20.00	20.00	—
Shantou City Automobile Passenger Traffic Center Co., Ltd.	25,206,264.00	26,799,098.95	(1,489,028.72)	25,310,070.23	35.00	35.00	—
CNPC Yueyun Natural Gas Co. Ltd.	12,000,000.00	16,858,519.10	1,392,483.15	18,251,002.25	24.00	24.00	1,680,000.00
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.	20,329,088.00	—	20,329,088.00	20,329,088.00	20.00	20.00	—
Sub-total	128,125,954.00	153,881,069.53	50,169,830.63	204,050,900.16			1,680,000.00

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 Long-term equity investments (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

Investee	Investment cost	Balance at the		Increase(decrease)	Balance at		Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year
		Beginning of the year			the end of the year				
		RMB	RMB		RMB	RMB			
			(Restated)						
(ii) Immaterial associates									
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. (Note 4)	16,274,717.00	11,136,834.27	(1,066,259.41)	10,070,574.86	48.00	48.00		—	
Guangdong Foda Expressway Economy Development Co., Ltd. (Note 5)	—	968,951.43	(968,951.43)	—	49.00	49.00		519,160.34	
Lufeng Shenshan Expressway Company Limited	450,000.00	2,879,566.24	49,455.14	2,929,021.38	45.00	45.00		1,051,111.26	
Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	420,000.00	2,119,351.76	105,482.91	2,224,834.67	42.00	42.00		210,000.00	
Jiangmen Guangjiang High Speed Passenger Traffic Co., Ltd.	420,000.00	1,216,792.57	(7,922.88)	1,208,869.69	42.00	42.00		210,000.00	
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. (Note 3)	200,000.00	—	—	—	40.00	40.00		—	
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	800,000.00	1,589,627.60	84,958.87	1,674,586.47	40.00	40.00		—	
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	6,000,000.00	8,097,307.69	1,473,742.50	9,571,050.19	30.00	30.00		300,000.00	
Guangdong South Passenger Network Center Co., Ltd. ("Nanyuetong") (Note 1)	3,800,000.00	5,465,143.16	(369,650.45)	5,095,492.71	12.00	12.00		—	
Qingyuan kuaifong Car Lease Co., Ltd. (Note 3)	800,000.00	—	—	—	40.00	40.00		—	
Guangdong Guangye Shaoyun Natural Gas Co., Ltd.	3,400,000.00	2,844,143.75	(417,853.83)	2,426,289.92	34.00	34.00		—	
Heyuan City Yueyun New Energy Co., Ltd.	1,000,000.00	586,532.27	(137,355.20)	449,177.07	20.00	20.00		—	
Guangdong Wangshangfei Logistics Technology Co., Ltd.	7,200,000.00	5,049,948.40	(2,413,999.50)	2,635,948.90	48.00	48.00		—	

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

Investee	Investment cost RMB	Balance at the	Increase(decrease) RMB	Balance at	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
		Beginning of the year		the end of the year			
		RMB (Restated)		RMB			
Shaoguan Libao Technology Co., Ltd.	1,418,462.00	1,418,462.00	236,748.83	1,655,210.83	42.00	42.00	—
Shaoguan Danxia Mountain Travel Bus Co., Ltd.	9,721,622.64	—	9,629,559.88	9,629,559.88	49.00	49.00	—
Others	141,351.00	912,141.63	735,248.99	1,647,390.62			328,284.35
Sub-total	51,846,152.64	44,284,802.77	6,933,204.42	51,218,007.19			2,618,555.95
Total	179,972,106.64	198,165,872.30	57,103,035.05	255,268,907.35			4,298,555.95

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 9 Long-term equity investments (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

As at 31 December 2017, the Company's investments in associates were as follows:

Investee	Investment cost	Balance	Increase/(decrease)	Balance at	Shareholding	Voting rights (%)	Cash dividend
	RMB	at the beginning		the end of the year			
		RMB	RMB	RMB			RMB
(i) Material associates							
Southern United Assets and Equity Exchange Company Limited	20,000,000.00	45,539,883.19	25,590,327.45	71,130,210.64	25.00	25.00	—
Zhong Yue Tong (Note 2)	6,250,000.00	16,255,454.45	(375,531.85)	15,879,922.60	20.83	20.83	6,249,000.00
Sub-total	26,250,000.00	61,795,337.64	25,214,795.60	87,010,133.24			6,249,000.00
(ii) Immaterial associates							
Guangdong South Passenger Network Center (Note 1)	3,600,000.00	5,465,143.16	(369,650.45)	5,095,492.71	12.00	12.00	—
Guangdong Yueyun Development Co., Ltd.	2,600,000.00	2,171,169.70	(530,157.50)	1,641,012.20	20.00	20.00	—
Sub-total	6,200,000.00	7,636,312.86	(899,807.95)	6,736,504.91			—
Total	32,450,000.00	69,431,650.50	24,314,987.65	93,746,638.15			6,249,000.00

Note 1: At the end of this year, the Group and the Company held 12% equity interests in Nanyuetong. According to the shareholders' agreement, the Company have rights of participation and decision in the board of director of Nanyuetong. Consequently, the Company have significant influence to Nanyuetong, and Nanyuetong is an associate of the Group and the Company.

Note 2: At the end of this year, the Company and Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, hold 20.83% and 29.17% equity interests in Zhong Yue Tong respectively. The Group holds a total of 50% equity interests in Zhong Yue Tong. Consequently, Zhong Yue Tong is a joint venture of the Group and an associate of the Company.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

Note 3: The Group adopt equity method in accounting for investments in associates. The Group ceased recognising its share of losses of the associates due to excess losses of the investee. As at 31 December 2017, the unrecognised share of losses of associates is as follows:

Investee	Accumulated unrecognised share of losses at the beginning of the year	Recognised share of profits during the year	Accumulated unrecognised share of losses at the end of the year
	RMB	RMB	RMB
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	298,001.43	50,598.38	348,599.81
Qingyuan Kuitong Car Lease Co., Ltd.	20,880.55	(17,198.99)	3,681.56
Total	318,881.98	33,399.39	352,281.37

Note 4: An associate of the Group, Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. entered into liquidation process in 2017. Partial investment costs amounting to RMB 744,400.00 were recovered in the form of tangible assets. The remaining investment costs are expected to be recovered upon completion of the liquidation.

Note 5: An associate of the Group, Guangdong Foda Expressway Economy Development Co., Ltd completed the liquidation in 2017. Original investment costs RMB 490,000.00 were fully recovered, and a gain of liquidation of RMB 478,951.43 was recognised.

Note 6: All associates of the Group and the Company are non-listed companies. As at 31 December 2017, the ability to transfer fund from the above associates to the Group is not restricted (2016: Nil).

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

(i) Details of the Group's material associates are as follows:

*The Group*

Name of associates	Principal pace of business	Registered place	Registered capital	Shareholding percentage	Business nature	Strategic to the Group's activities?
Southern United Assets and Equity Exchange Company Limited	Guangdong China	Guangdong China	RMB 80,000,000.00	25%	Property Exchange	Yes
Shenzhen Yueyun Investment Development Company Limited	Guangdong China	Guangdong China	RMB 30,000,000.00	20%	Passenger Terminal Operation	Yes
Guangzhou City Tianhe Coach Terminal Co., Ltd.	Guangdong China	Guangdong China	RMB 10,000,000.00	20%	Station Services	Yes
Shantou City Automobile Terminal Co., Ltd.	Guangdong China	Guangdong China	RMB 7,575,000.00	35%	Passenger Terminal Operation	Yes
CNPC Yueyun Natural Gas Co. Ltd.	Guangdong China	Guangdong China	RMB 50,000,000.00	24%	Gas Wholesale and Retail	Yes
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.	Hong Kong China	Hong Kong China	HKD 1,000,000.00	20%	Transportation	Yes

*The Company*

The material associates of the Company include Southern United Assets and Equity Exchange Company Limited and Zhong Yue Tong. Detailed information of Southern United Assets and Equity Exchange Company Limited is set out below, and detailed information of Zhong Yue Tong is set out in note V. 9(2) (i).

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 Long-term equity investments (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

(i) Details of the Group's material associates are as follows: (Continued)

	Southern United Assets and Equity Exchange Company Limited		Shenzhen Yueyun Investment Development Company Limited		Guangzhou City Tianhe Coach Terminal Co., Ltd.		Shenzhen City Automobile Terminal Co., Ltd.		CNPC Yueyun Natural Gas Co., Ltd.		Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.		Total
	2017 RMB	2016 RMB	2017 RMB	2016 RMB	2017 RMB	2016 RMB	2017 RMB	2016 RMB	2017 RMB	2016 RMB	2017 RMB	2016 RMB	
Current assets	237,824,320.04	133,273,724.76	6,586,739.67	4,341,351.97	87,913,363.36	94,154,927.1	3,657,770.24	3,151,776.53	69,316,344.25	62,301,671.03	101,655,527.51	297,622,919.00	
Non-current assets	66,653,756.80	71,719,855.11	246,627,811.45	253,656,282.31	131,096,072.54	111,501,614.87	81,776,983.24	83,325,825.81	28,964,270.99	24,492,759.99	557,318,565.11	544,656,538.09	
Total assets	306,478,076.84	204,993,580.87	253,216,591.32	257,997,634.28	219,010,026.50	205,656,542.98	85,434,753.48	86,477,602.34	98,280,615.23	87,394,431.02	1,064,075,790.88	842,519,457.09	
Current liabilities	(16,457,234.28)	(17,334,107.11)	(11,454,071.82)	(10,551,329.68)	(115,220,300.80)	(120,865,230.75)	(16,370,272.08)	(17,607,357.07)	(22,234,772.52)	(17,180,601.45)	(10,087.51)	(182,246,728.01)	(183,528,806.06)
Non-current liabilities	(5,300,000.00)	(5,300,000.00)	(400,000.00)	(6,800,000.00)	—	—	(89.97)	(1,165.01)	—	—	—	(5,900,000.97)	(14,321,185.11)
Total liabilities	(21,857,234.28)	(22,834,107.11)	(11,854,071.82)	(17,351,329.68)	(115,220,300.80)	(120,865,230.75)	(16,370,362.05)	(17,608,522.08)	(22,234,772.52)	(17,180,601.45)	(10,087.51)	(188,246,728.98)	(197,829,991.07)
Net assets	284,620,842.56	182,159,473.76	241,362,519.50	236,646,304.60	103,789,725.70	84,771,312.23	69,064,481.43	68,869,080.26	76,045,842.71	70,243,829.57	101,645,440.00	644,659,466.02	
Group's share of net assets	71,130,210.64	45,538,883.19	48,272,593.90	47,729,294.92	20,757,945.14	16,954,333.37	23,582,466.65	24,103,891.79	18,251,002.25	16,855,519.10	20,329,086.00	202,705,256.58	151,185,882.37
Add: Debt difference of equity investments	—	—	—	—	—	—	1,347,803.58	2,655,207.16	—	—	—	1,347,803.58	2,655,207.16
Carrying amount of interests in associates	71,130,210.64	45,538,883.19	48,272,593.90	47,729,294.92	20,757,945.14	16,954,333.37	25,310,070.23	26,759,098.95	18,251,002.25	16,855,519.10	20,329,086.00	204,650,900.16	153,881,089.53
Operating income	178,883,979.82	96,146,697.33	27,893,881.19	28,459,656.16	—	—	7,695,571.95	7,697,345.66	116,301,099.07	104,577,234.59	9,377.15	339,404,319.18	236,892,933.74
Net profit/(loss)	99,238,973.11	44,353,765.34	2,716,594.90	2,292,744.97	19,018,208.84	16,620,882.99	(404,071.84)	(46,746.51)	12,802,013.12	12,827,230.30	(4,228.28)	133,367,468.85	78,037,740.09
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	—	—
Total comprehensive income	99,238,973.11	44,353,765.34	2,716,594.90	2,292,744.97	19,018,208.84	16,620,882.99	(404,071.84)	(46,746.51)	12,802,013.12	12,827,230.30	(4,228.28)	133,367,468.85	78,037,740.09
Dividends received from associates for the year	—	—	—	—	—	2,483,240.64	—	—	1,880,000.00	1,440,000.00	—	1,880,000.00	3,673,240.64

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**9 Long-term equity investments** (Continued)

(3) As at 31 December 2017, the Group's investments in associates were as follows: (Continued)

(ii) Details of immaterial associates accounted for using the equity method are summarised as follows:

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Aggregate carrying amount of investments	<b>51,218,007.19</b>	44,284,802.77	<b>6,736,504.91</b>	7,636,312.86
Aggregate amount of share of				
– Net profit/(loss)	<b>1,267,339.83</b>	(704,329.72)	<b>(899,807.95)</b>	(963,687.14)
– Other comprehensive income	—	—	—	—
– Total comprehensive income	<b>1,267,339.83</b>	(704,329.72)	<b>(899,807.95)</b>	(963,687.14)

**10 Available-for-sale financial assets**

	Note	The Group		The Company	
		2017 RMB	2016 RMB	2017 RMB	2016 RMB
Available-for-sale equity instruments					
– At cost	(1)	<b>563,228.22</b>	563,228.22	<b>777,412.45</b>	777,412.45
Total		<b>563,228.22</b>	563,228.22	<b>777,412.45</b>	777,412.45



**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**10 Available-for-sale financial assets** (Continued)

## (1) Available-for-sale financial assets at cost

As at 31 December 2017, an analysis of available-for-sale financial assets measured at cost by the Group is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Guangdong Southern Container Transportation Joint Company (Note 2)	<b>1,268,476.29</b>	1,268,476.29
Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. (Note 1)	<b>308,228.22</b>	308,228.22
Puning City Yueyun Development Co., Ltd. (Note 1)	<b>255,000.00</b>	255,000.00
Huadu Jindaoda Expressway Economic Development Company Limited (Note 2)	<b>80,000.00</b>	80,000.00
Sub-total	<b>1,911,704.51</b>	1,911,704.51
Less: Provision for impairment (Note 2)	<b>(1,348,476.29)</b>	(1,348,476.29)
Total	<b>563,228.22</b>	563,228.22

Note 1: Guangzhou Yueyun Transportation Co., Ltd. holds 51% equity interests in Puning City Yueyun Development Co., Ltd. and Guangdong Yueyun Langri Co., Ltd. holds 30% equity interests in Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. As the operations of these investees are contracted by other parties or individuals, GVTG and Guangdong Yueyun Langri Co., Ltd. do not have control over these companies. Hence, these companies do not fall into the scope of consolidation of the Group.

Note 2: Guangdong Southern Container Transportation Joint Company has ceased operation, while it is yet to complete the liquidation procedures, hence the Group made full provision for investment in it in 2004. Since Huadu Jindaoda Expressway Economic Development Company Limited suffered loss for years, full provision for investment in it had been made in previous year.

**V. NOTES TO THE FINANCIAL STATEMENTS** *(Continued)***10 Available-for-sale financial assets** *(Continued)**(1) Available-for-sale financial assets at cost (Continued)*

As at 31 December 2017, an analysis of available-for-sale financial assets measured at cost by the Company is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Guangdong Jindaoda Expressway Economic Development Company Limited ("Jindaoda")	<b><u>777,412.45</u></b>	<u>777,412.45</u>

At the end of the year, The Company and Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, holds 5% and 95% equity interests of Jindaoda respectively, and the Group holds 100% equity interests in total. Accordingly, Jindaoda is a subsidiary of the Group. The Company measured the equity interests based on financial instruments.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11 Investment properties

The Group

	Buildings RMB	Land use rights RMB	Total RMB
Cost			
Balance as at 1 January 2016			
(Restated)	144,822,680.01	54,967,656.12	199,790,336.13
Additions during the year	3,200,914.22	1,071,909.10	4,272,823.32
Decrease during the year	(18,821,669.71)	—	(18,821,669.71)
Balance as at 31 December 2016			
(Restated)	129,201,924.52	56,039,565.22	185,241,489.74
Additions during the year	14,676,215.11	12,311,685.62	26,987,900.73
Decrease during the year	(5,729,467.32)	(1,562,515.75)	(7,291,983.07)
Balance as at 31 December 2017	138,148,672.31	66,788,735.09	204,937,407.40
Accumulated depreciation or amortisation			
Balance as at 1 January 2016			
(Restated)	(13,031,909.68)	(5,566,421.01)	(18,598,330.69)
Additions during the year	(5,955,125.74)	(1,642,873.88)	(7,597,999.62)
Decrease during the year	5,309,476.53	—	5,309,476.53
Balance as at 31 December 2016			
(Restated)	(13,677,558.89)	(7,209,294.89)	(20,886,853.78)
Additions during the year	(4,460,198.96)	(2,740,393.03)	(7,200,591.99)
Decrease during the year	2,456,800.19	984,969.22	3,441,769.41
Balance as at 31 December 2017	(15,680,957.66)	(8,964,718.70)	(24,645,676.36)
Carrying amounts			
As at 31 December 2017	122,467,714.65	57,824,016.39	180,291,731.04
As at 31 December 2016			
(Restated)	115,524,365.63	48,830,270.33	164,354,635.96

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11 Investment properties (Continued)

The Group (Continued)

Note 1: The increase in cost for the current year included transfer from self-owned properties to investment properties of RMB 26,987,900.73. The decrease in cost included disposal of RMB 498,000.00, the transfer from investment properties to self-owned properties of RMB 5,629,332.37 and translation differences of financial statements denominated in foreign currency of RMB 1,164,650.70.

Note 2: The increase in accumulated depreciation and amortisation for the current year included depreciation and amortisation charges of RMB 5,330,109.38, transfer from self-owned properties to investment properties of RMB 1,870,482.61. The decrease in accumulated depreciation and amortisation was due to disposal of RMB 498,000.00, transfer from investment properties to self-owned properties of RMB 2,438,762.65 and translation differences of financial statements denominated in foreign currency of RMB 505,006.76.

Note 3: The remaining period of amortisation of land use rights is 14 to 65 years.

Note 4: As at 31 December 2017, investment properties that were pledged for long-term bank loans is RMB 22,392,714.56. (31 December 2016: Nil).

#### 12 Fixed assets

The Group

	Buildings and structures RMB	Building improvements RMB	Machinery and equipment RMB	Electronic equipment, office equipment and others RMB	Transportation vehicles RMB	Pier RMB	Total RMB
Cost							
Balance as at 1 January 2016							
(Restated)	812,213,741.59	114,138,270.82	115,365,492.66	198,141,600.48	2,329,251,044.37	90,628,461.88	3,659,738,611.80
Additions during the year	59,334,770.44	—	5,520,028.39	45,246,310.52	202,702,789.50	—	312,803,898.85
Transfer from construction in progress	69,309,897.10	5,681,693.72	5,159,674.41	8,354,857.59	216,229,696.15	—	304,735,818.97
Additions arising from business combinations not under common control	4,572,457.78	—	41,629.63	2,346,284.11	2,461,827.91	—	9,422,199.43
Disposals during the year	(24,652,761.05)	—	(1,511,297.24)	(8,600,341.18)	(105,175,280.97)	—	(139,939,680.44)
Balance as at 31 December 2016							
(Restated)	920,778,105.86	119,819,964.54	124,575,527.85	245,488,711.52	2,645,470,076.96	90,628,461.88	4,146,760,848.61
Additions during the year	23,768,340.49	—	10,847,323.94	24,949,902.50	129,079,840.40	—	188,645,407.33
Transfer from construction in progress	97,461,997.36	41,275,467.13	6,007,674.34	24,153,842.27	328,470,127.81	—	497,369,108.91
Additions arising from business combinations not under common control	—	—	—	—	5,060,456.33	—	5,060,456.33
Disposals during the year	(25,005,472.55)	—	(5,782,263.30)	(9,848,812.50)	(130,477,768.43)	—	(171,114,316.78)
Balance as at 31 December 2017	1,017,002,971.16	161,095,431.67	135,648,262.83	284,743,643.79	2,977,602,733.07	90,628,461.88	4,666,721,504.40

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 Fixed assets (Continued)

The Group (Continued)

	Buildings and structures RMB	Building improvements RMB	Machinery and equipment RMB	Electronic equipment, office equipment and others RMB	Transportation vehicles RMB	Pier RMB	Total RMB
Less: Accumulated depreciation							
Balance as at 1 January 2016							
(Restated)	(176,393,273.83)	(94,637,946.20)	(53,780,788.92)	(137,562,374.56)	(1,037,192,217.98)	(7,793,116.51)	(1,507,359,718.00)
Charge for the year	(50,984,352.00)	(4,867,321.03)	(7,912,070.50)	(31,762,227.96)	(335,093,020.92)	(2,543,718.45)	(433,162,710.86)
Written off on disposal	4,610,699.17	—	1,231,642.99	5,474,713.76	88,799,217.85	—	100,116,273.77
Balance as at 31 December 2016							
(Restated)	(222,766,926.66)	(99,505,267.23)	(60,461,216.43)	(163,849,888.76)	(1,283,486,021.05)	(10,336,834.96)	(1,840,406,155.09)
Charge for the year	(44,547,770.30)	(6,663,700.15)	(9,312,909.76)	(31,573,442.13)	(342,853,557.34)	(2,528,043.45)	(437,479,423.13)
Written off on disposal	2,416,075.13	—	3,990,749.54	8,205,218.91	116,941,031.46	—	131,553,075.04
Balance as at 31 December 2017	(264,898,621.83)	(106,168,967.38)	(65,783,376.65)	(187,218,111.98)	(1,509,398,546.93)	(12,864,878.41)	(2,146,332,503.18)
Less: Provision for impairment							
Balance as at 1 January 2016 and 31 December 2016	(418,188.74)	—	(875,852.00)	—	—	—	(1,294,040.74)
Charge for the year	—	—	—	—	(859,842.53)	—	(859,842.53)
Written off on disposal	418,188.74	—	875,852.00	—	—	—	1,294,040.74
Balance as at 31 December 2017	—	—	—	—	(859,842.53)	—	(859,842.53)
Carrying amounts							
As at 31 December 2017	752,104,349.33	54,926,464.29	69,864,886.18	97,525,531.81	1,467,344,343.61	77,763,583.47	2,519,529,158.69
As at 31 December 2016 (Restated)	697,592,990.46	20,314,697.31	63,238,459.42	81,638,822.76	1,361,984,055.91	80,291,626.92	2,305,060,652.78

As at 31 December 2017, the original costs of fixed assets that are fully depreciated but are still in use were RMB 878,572,954.91 (31 December 2016: RMB 888,714,423.27).

As at 31 December 2017, fixed assets with carrying amount of RMB 209,098,432.14 (31 December 2016: RMB 239,508,460.95) were pledged for bank loans, among which, RMB 209,098,432.14 were pledged for long-term loans and no fixed assets are pledged for short-term loans. As at 31 December 2017, there are no other restricted fixed assets than those pledged for bank loans.

As at 31 December 2017, the carrying amount of buildings and structures without certificate or title of which had not been officially transferred in the Group was RMB 242,891,399.29 (31 December 2016: RMB 188,407,478.76).

**V. NOTES TO THE FINANCIAL STATEMENTS** *(Continued)***12 Fixed assets** *(Continued)**The Group (Continued)*

The fixed assets acquired under finance leases as at 31 December 2017 were as follows:

	<b>Transportation vehicles RMB</b>
At the end of the year	
Cost	161,751,715.23
Less: Accumulated depreciation	<u>(28,063,345.44)</u>
Net book value	<u><u>133,688,369.79</u></u>
At the beginning of the year	
Cost	100,731,561.88
Less: Accumulated depreciation	<u>(16,564,719.88)</u>
Net book value	<u><u>84,166,842.00</u></u>

As at 31 December 2017, transportation vehicles with carrying amount of RMB 25,345,093.22 (2016: RMB 41,922,527.24) were leased out under operating leases.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12 Fixed assets (Continued)

The Company

	Transportation vehicles RMB	Electronic equipment office equipment and others RMB	Buildings and structures RMB	Total RMB
Cost				
Balances as at 1 January 2016	10,830,857.66	9,679,787.70	3,424,779.00	23,935,424.36
Additions during the year	416,736.76	183,928.41	—	600,665.17
Disposals during the year	(675,581.00)	—	—	(675,581.00)
Balances as at 31 December 2016	10,572,013.42	9,863,716.11	3,424,779.00	23,860,508.53
Additions during the year	—	611,951.00	—	611,951.00
Balances as at 31 December 2017	10,572,013.42	10,475,667.11	3,424,779.00	24,472,459.53
Less: Accumulated depreciation				
Balances as at 1 January 2016	(10,322,641.43)	(6,989,831.75)	—	(17,312,473.18)
Charge for the year	(115,193.40)	(684,209.26)	(162,677.04)	(962,079.70)
Written off on disposal	641,801.95	—	—	641,801.95
Balances as at 31 December 2016	(9,796,032.88)	(7,674,041.01)	(162,677.04)	(17,632,750.93)
Charge for the year	(82,724.16)	(628,892.03)	(162,677.04)	(874,293.23)
Balances as at 31 December 2017	(9,878,757.04)	(8,302,933.04)	(325,354.08)	(18,507,044.16)
Carrying amount				
As at 31 December 2017	693,256.38	2,172,734.07	3,099,424.92	5,965,415.37
As at 31 December 2016	775,980.54	2,189,675.10	3,262,101.96	6,227,757.60

As at 31 December 2017, the original costs of fixed assets that are fully depreciated but are still in use were RMB 16,109,417.86 (31 December 2016: RMB 16,020,423.93).

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

As at 31 December 2017, the Company had no fixed asset acquired under finance lease (31 December 2016: Nil) and no fixed asset leased out under operating lease (31 December 2016: Nil).

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 13 Construction in progress

	The Group RMB	The Company RMB
Cost		
Balance as at 1 January 2016	187,862,224.99	—
Additions during the year	327,701,359.46	—
Transfer to fixed assets	(304,735,818.97)	—
Other decrease	(4,201,435.66)	—
	<u>206,626,329.82</u>	<u>—</u>
Balance as at 31 December 2016	206,626,329.82	—
Additions during the year	591,034,631.61	118,800.00
Transfer to fixed assets	(497,369,108.91)	(118,800.00)
Other decrease	(10,299,128.51)	—
	<u>289,992,724.01</u>	<u>—</u>
Balance as at 31 December 2017	289,992,724.01	—
Less: Provision for impairment		
Balance as at 1 January 2016 and 31 December 2016	(451,957.10)	—
Addition during the year	(3,934,508.02)	—
	<u>(4,386,465.12)</u>	<u>—</u>
Balance as at 31 December 2017	(4,386,465.12)	—
Carrying amount		
As at 31 December 2017	<u>285,606,258.89</u>	<u>—</u>
As at 31 December 2016	<u>206,174,372.72</u>	<u>—</u>



**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**13 Construction in progress** (Continued)

Top ten items of construction in progress of the Group as at 31 December 2017 are outlined below:

	<b>Balances at the beginning of the year RMB</b>	<b>Additions during the year RMB</b>	<b>Decreases during the year RMB</b>	<b>Balances at the end of the year RMB</b>
Construction of				
Chengnan Station	105,980,200.93	16,259,115.41	—	122,239,316.34
Purchase of vehicles	5,197,677.78	363,282,689.09	(285,611,039.88)	82,869,326.99
Reconstruction project				
of “Three Old”	14,878,562.56	—	—	14,878,562.56
Construction of self-owned				
service building	13,248,217.00	41,686,109.21	(41,909,759.23)	13,024,566.98
Zengcheng passenger				
traffic station	14,288,298.99	—	(3,934,508.02)	10,353,790.97
Construction of new station	7,586,075.84	11,539,823.52	(12,379,424.61)	6,746,474.75
Construction of Yuanxi Station	611,480.33	5,864,312.52	(1,180,414.43)	5,295,378.42
Digital Media Project	3,432,864.14	4,546,367.71	(3,340,513.70)	4,638,718.15
Construction Project of				
Zhaoqing High-tech				
Zone Central Station	267,855.00	4,142,866.47	—	4,410,721.47
Technology-reconstruction				
of Asphalt Storehouse				
in Dongguan	—	4,280,720.72	—	4,280,720.72
Total	<u>165,491,232.57</u>	<u>451,602,004.65</u>	<u>(348,355,659.87)</u>	<u>268,737,577.35</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Intangible assets

The Group

Cost	Land use rights RMB	Joint operation earning rights RMB	Computer software RMB	Coastline use rights RMB	Passenger service licenses RMB	Station and toll bridge franchise operating rights RMB	Line license use rights and route operation rights RMB	Trademark rights and others RMB	Total RMB
Balances as at 1 January 2016 (Restated)	681,307,859.05	42,747,190.60	28,370,198.15	7,110,000.00	17,562,265.20	387,478,456.26	155,414,347.82	3,675,900.00	1,323,666,217.08
Additions during the year	62,466,344.70	—	2,821,842.05	—	—	—	19,548,995.33	640,479.48	85,477,661.56
Foreign currency financial statement translation differences	2,450,466.16	—	—	—	1,188,775.44	—	—	—	3,639,241.60
Disposals during the year	(1,045,139.00)	—	(381,102.56)	—	—	—	—	—	(1,426,241.56)
Balances as at 31 December 2016 (Restated)	745,179,530.91	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	1,411,356,878.68
Additions during the year	78,723,275.08	—	15,117,461.76	—	8,011,844.60	—	14,221,432.69	—	116,074,014.13
Additions arising from business combinations not under common control	—	—	—	—	—	—	18,023,218.94	—	18,023,218.94
Foreign currency financial statement translation differences	(2,532,133.96)	—	—	—	(1,499,712.29)	—	—	—	(4,031,846.25)
Transferred to investment properties	(12,311,665.62)	—	—	—	—	—	—	—	(12,311,665.62)
Disposals during the year	(877,240.54)	—	(14,000.00)	—	—	—	—	—	(891,240.54)
Balances as at 31 December 2017	808,181,745.87	42,747,190.60	45,914,399.40	7,110,000.00	25,263,172.95	387,478,456.26	207,207,994.78	4,316,379.48	1,528,219,339.34

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14 Intangible assets

## The Group

	Land use rights	Joint operation	Computer	Coastline	Passenger	Station and toll	Line license use	Trademark rights	Total
	RMB	earning rights	software	use rights	service licenses	bridge franchise	rights and route	and others	RMB
		RMB	RMB	RMB	RMB	operating rights	operation rights	RMB	RMB
Accumulated amortisation									
Balances as at 1 January 2016									
(Restated)	(88,482,480.05)	(3,901,780.17)	(18,180,976.27)	(1,820,871.20)	—	(194,419,288.95)	(60,545,024.10)	(645,525.91)	(367,995,926.65)
Charge for the year	(16,821,982.90)	(3,901,780.17)	(3,263,590.33)	(155,266.20)	—	(18,127,980.37)	(15,557,720.55)	(231,629.10)	(57,859,949.62)
Foreign currency financial									
statement translation differences	(757,717.97)	—	—	—	—	—	—	—	(757,717.97)
Written off on disposal	300,982.77	—	51,153.94	—	—	—	—	—	352,116.71
Balances as at 31 December 2016									
(Restated)	(105,561,198.15)	(7,803,560.34)	(21,383,412.66)	(1,976,137.40)	—	(212,547,269.32)	(76,102,744.65)	(877,155.01)	(426,261,477.53)
Charge for the year	(18,591,801.48)	(3,901,780.17)	(4,096,835.56)	349,882.07	—	(18,127,980.39)	(18,330,571.33)	(229,716.49)	(62,928,803.35)
Foreign currency financial									
statement translation differences	918,188.59	—	—	—	—	—	—	—	918,188.59
Transferred to investment									
properties	756,526.94	—	—	—	—	—	—	—	756,526.94
Written off on disposal	94,677.66	—	3,180.75	—	—	—	—	—	97,858.41
Balances as at 31 December 2017									
	(122,383,606.44)	(11,705,340.51)	(25,487,067.47)	(1,626,255.33)	—	(230,675,249.71)	(94,433,315.98)	(1,106,871.50)	(487,417,706.94)
Carrying amount									
As at 31 December 2017	665,798,139.43	31,041,850.09	20,427,331.93	5,483,744.67	25,263,172.95	156,803,206.55	112,774,678.80	3,209,507.98	1,040,801,632.40
As at 31 December 2016									
(Restated)	639,616,332.76	34,943,630.26	9,417,524.98	5,133,862.60	18,751,040.64	174,331,186.94	98,860,598.50	3,439,224.47	985,095,401.15

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)

**14 Intangible assets** (Continued)

*The Group (Continued)*

As at 31 December 2017, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB108,352,067.98 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Company as mentioned in Note V. 32 (31 December 2016: RMB125,263,221.82). In addition, land use rights with carrying amount of RMB91,873,431.92 (31 December 2016: RMB126,497,026.67) were pledged for bank loans, among which, RMB91,873,431.92 were pledged for long-term loans and no intangible assets was pledged for short-term loans. As at 31 December 2017, there was no other restricted intangible assets of the Group.

As at 31 December 2017, the carrying amount of land use rights without certificate of title for the Group was RMB884,424.75 (31 December 2016: RMB43,704,142.84).

As at 31 December 2017, land use rights with original costs of RMB 37,026,553.56 (31 December 2016: RMB 37,026,553.56) were obtained through allocation. As the certificates of title did not stipulate useful life, these land use rights had not been amortised.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14 Intangible assets (Continued)

The Company

	Computer Software RMB	Toll bridge franchise operating rights RMB	Total RMB
Cost			
Balances as at 1 January 2016			
and 31 December 2016	23,678,820.83	334,103,442.14	357,782,262.97
Additions during the year	<u>6,760,540.00</u>	<u>—</u>	<u>6,760,540.00</u>
Balances as at 31 December 2017	<u>30,439,360.83</u>	<u>334,103,442.14</u>	<u>364,542,802.97</u>
Accumulated amortisation			
Balances as at 1 January 2016	(21,874,685.84)	(191,929,066.48)	(213,803,752.32)
Charges for the year	<u>(1,407,255.43)</u>	<u>(16,911,153.84)</u>	<u>(18,318,409.27)</u>
Balances as at 31 December 2016	(23,281,941.27)	(208,840,220.32)	(232,122,161.59)
Charges for the year	<u>(705,640.33)</u>	<u>(16,911,153.84)</u>	<u>(17,616,794.17)</u>
Balances as at 31 December 2017	<u>(23,987,581.60)</u>	<u>(225,751,374.16)</u>	<u>(249,738,955.76)</u>
Carrying amount			
As at 31 December 2017	<u>6,451,779.23</u>	<u>108,352,067.98</u>	<u>114,803,847.21</u>
As at 31 December 2016	<u>396,879.56</u>	<u>125,263,221.82</u>	<u>125,660,101.38</u>

As at 31 December 2017, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB 108,352,067.98 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Company as mentioned in Note V. 32 (31 December 2016: RMB125,263,221.82). As at 31 December 2017, there was no other restricted intangible assets of the Company.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**15 Goodwill**

Name of investee from which goodwill arising	Balance as at 1 January 2017 RMB (Restated)	Additions during the year RMB	Balance as at 31 December 2017 RMB
Heyuan City Yueyun Motor Transportation Co., Ltd.	28,559,728.57	—	28,559,728.57
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	23,391,155.86	—	23,391,155.86
Guangdong Yueyun Langri Co., Ltd.	23,198,978.67	—	23,198,978.67
Yangjiang Vehicles Transportation	7,558,101.69	—	7,558,101.69
Yangjiang City Yangzha New Image Public Transportation Company Limited	5,416,461.97	—	5,416,461.97
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	2,100,000.00	—	2,100,000.00
Qingyuan City Qingxin Zone Yueyun Motor Transportation Co., Ltd.	12,010,932.57	—	12,010,932.57
Others	1,930,966.69	—	1,930,966.69
Total	<u>104,166,326.02</u>	<u>—</u>	<u>104,166,326.02</u>

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 15 Goodwill (Continued)

Name of investee from which goodwill arising	Balance as at 1 January 2016 RMB (Restated)	Additions during the year RMB	Balance as at 31 December 2016 RMB (Restated)
Heyuan City Yueyun Motor Transportation Co., Ltd.	28,559,728.57	—	28,559,728.57
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	23,391,155.86	—	23,391,155.86
Guangdong Yueyun Langri Co., Ltd.	23,198,978.67	—	23,198,978.67
Yangjiang Vehicles Transportation	7,558,101.69	—	7,558,101.69
Yangjiang City Yangzha New Image Public Transportation Company Limited	5,416,461.97	—	5,416,461.97
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	2,100,000.00	—	2,100,000.00
Qingyuan City Qingxin Zone Yueyun Motor Transportation Co., Ltd.	—	12,010,932.57	12,010,932.57
Others	1,930,966.69	—	1,930,966.69
Total	<u>92,155,393.45</u>	<u>12,010,932.57</u>	<u>104,166,326.02</u>

For the purpose of impairment testing, the Group, taking the above subsidiaries as separate asset groups, allocates the goodwill to such asset groups for impairment testing. The Group estimates the recoverable amount of each asset group individually based on the present value of expected future cash flow of such asset groups on the assumption of going concern in light of the operating characteristics of such asset groups. Cash flow projections are based on the financial budget covering of five-year period forecasted by the management and the assumption that the growth rate of cash flow beyond five-year period is zero. The adopted discount rate is 10.5%. Other key assumptions used in estimating future cash flow include the past performance of such asset groups and the management's expectation of market development. The management considers that the reasonable changes in above assumptions would not result in carrying amount in excess of the recoverable amount, therefore there is no impairment on goodwill.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16 Long-term deferred expenses

	The Group			
	Balance at the beginning of the year RMB	Additions during the year RMB	Decrease during the year RMB	Balance at the end of the year RMB
Long-term asset rental expenses	3,880,507.10	—	(317,222.88)	3,563,284.22
Renovation of station auxiliary facilities	9,821,051.84	14,001,821.87	(4,910,834.24)	18,912,039.47
Design and decoration fee of buildings	9,576,081.36	3,183,930.64	(1,868,187.52)	10,891,824.48
In-vehicles multimedia systems	1,998,425.92	—	(12,360.00)	1,986,065.92
Route license use rights and others	7,075,196.65	14,291,532.87	(5,861,005.39)	15,505,724.13
Sub-total	32,351,262.87	31,477,285.38	(12,969,610.03)	50,858,938.22
Less: Provision for impairment				
Design and decoration fee of buildings	(7,162,543.22)	—	—	(7,162,543.22)
Total	<u>25,188,719.65</u>	<u>31,477,285.38</u>	<u>(12,969,610.03)</u>	<u>43,696,395.00</u>

	The Company			
	Balance at the beginning of the year RMB	Additions during the year RMB	Decrease during the year RMB	Balance at the end of the year RMB
Prepaid lease expense in respect of				
land use right of Taiping interchange	3,013,110.14	—	(302,979.00)	2,710,131.14
Design and decoration fee of buildings	7,695,486.16	3,183,930.64	(1,658,117.92)	9,221,298.88
Others	1,209,494.28	116,935.55	(472,868.10)	853,561.73
Sub-total	11,918,090.58	3,300,866.19	(2,433,965.02)	12,784,991.75
Less: Provision for impairment				
Design and decoration fee of buildings	(7,162,543.22)	—	—	(7,162,543.22)
Total	<u>4,755,547.36</u>	<u>3,300,866.19</u>	<u>(2,433,965.02)</u>	<u>5,622,448.53</u>



## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 17 Deferred tax assets and deferred tax liabilities

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows:

The Group

	Amount of temporary differences		Deferred tax assets		Amount of temporary differences at the end of the year	
	at the beginning of the year	Balances at the beginning of the year	Current year increase/ (decrease) charge to profit or loss	Other changes during the year		
	RMB	RMB	RMB	RMB	RMB	
Deferred tax assets:						
Provision for bad and doubtful debts	570,956,260.04	142,739,065.01	(787,896.79)	—	141,951,168.22	567,804,672.88
Including: Accounts receivable	67,077,139.52	16,769,284.88	(2,110,575.38)	—	14,658,709.50	58,634,838.00
Prepayments	468,238,405.08	117,059,601.27	—	—	117,059,601.27	468,238,405.08
Other receivables	35,640,715.44	8,910,178.86	519,886.55	—	9,430,065.41	37,720,261.64
Long-term receivables	—	—	802,792.04	—	802,792.04	3,211,168.16
Accrued Expenses	60,692,225.04	15,173,056.26	(2,895,088.44)	—	12,277,967.82	49,111,871.28
Employee benefits payable	40,786,466.80	10,196,616.70	(103,413.81)	—	10,093,202.89	40,372,811.56
Amortisation of intangible assets	13,277,855.68	3,319,463.92	31,118.01	—	3,350,581.93	13,402,327.72
Unrealised profits arising from transactions within the Group	13,466,847.80	3,366,711.95	(249,751.25)	—	3,116,960.70	12,467,842.80
Long-term employee benefits payable	9,663,461.80	2,415,865.45	(899,671.38)	—	1,516,194.07	6,064,776.28
Deductible tax losses	24,498,388.36	6,124,597.09	(1,774,032.07)	(157,180.99)	4,193,384.03	16,773,536.12
Provision for impairment against non-current assets	11,520,902.36	2,880,225.59	833,727.63	—	3,713,953.22	14,855,812.88
Deferred revenue	37,911,065.60	9,477,766.40	(479,484.22)	—	8,998,282.18	35,993,128.72
Others	10,057,355.28	2,514,338.82	(287,910.06)	—	2,226,428.76	8,905,715.04
Sub-total	792,830,828.76	198,207,707.19	(6,612,402.38)	(157,180.99)	191,438,123.82	765,752,495.28
Amount of offsetting	(15,337,595.72)	(3,834,398.93)			(7,448,444.23)	(29,793,776.92)
Balance after offsetting	777,493,233.04	194,373,308.26			183,989,679.59	735,958,718.36

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**17 Deferred tax assets and deferred tax liabilities** (Continued)

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows: (Continued)

The Group (Continued)

	Amount of temporary differences at the beginning of the year	Balances at the beginning of the year	Deferred tax liabilities		Balances at the end of the year	Amount of temporary differences at the end of the year
			Current year increase/ (decrease) charge to profit or loss	Current year decrease charge to equity		
	RMB	RMB	RMB	RMB	RMB	RMB
Deferred tax liabilities:						
Assets appraisal appreciation	(108,024,049.56)	(27,006,012.39)	1,340,416.51	—	(25,665,595.88)	(102,662,383.52)
Debit difference of long-term equity investments	(18,834,636.88)	(4,708,659.22)	114,845.35	—	(4,593,813.87)	(18,375,255.49)
Investment income	(13,478,351.32)	(3,369,587.83)	(567,766.32)	—	(3,937,354.15)	(15,749,416.60)
Depreciation of fixed assets	(5,948,304.32)	(1,487,076.08)	(320,094.82)	108,259.32	(1,698,911.58)	(6,795,646.32)
Sub-total	(146,285,342.08)	(36,571,335.52)	567,400.72	108,259.32	(35,895,675.48)	(143,582,701.93)
Amount of offsetting	15,337,595.72	3,834,398.93			7,448,444.23	29,793,776.92
Balance after offsetting	(130,947,746.36)	(32,736,936.59)			(28,447,231.25)	(113,788,925.01)

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**17 Deferred tax assets and deferred tax liabilities** (Continued)

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows: (Continued)

The Company

	Amount of temporary differences at the beginning of the year RMB	Deferred tax assets			Amount of temporary differences at the end of the year RMB
		Balances at the beginning of the year RMB	Current year (decrease)/ increase charge to profit or loss RMB	Balances at the end of the year RMB	
Deferred tax assets:					
Provision for bad and doubtful debts	548,859,766.44	137,214,941.61	(1,106,806.80)	136,108,134.81	544,432,539.22
Including: Accounts					
receivable	49,046,989.73	12,261,747.43	(1,106,806.80)	11,154,940.63	44,619,762.51
Prepayments	468,238,405.08	117,059,601.27	—	117,059,601.27	468,238,405.08
Other receivables	31,574,371.63	7,893,592.91	—	7,893,592.91	31,574,371.63
Accrued expenses	10,303,258.88	2,575,814.72	957,859.96	3,533,674.68	14,134,698.74
Employee benefits payable	19,486,885.44	4,871,721.36	290,473.82	5,162,195.18	20,648,780.72
Amortisation of intangible assets	11,784,191.36	2,946,047.84	—	2,946,047.84	11,784,191.36
Provision for impairment against non-current assets	7,162,543.28	1,790,635.82	—	1,790,635.82	7,162,543.28
Total	<u>597,596,645.40</u>	<u>149,399,161.35</u>	<u>141,526.98</u>	<u>149,540,688.33</u>	<u>598,162,753.32</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**17 Deferred tax assets and deferred tax liabilities** (Continued)

(2) Deductible tax losses and temporary differences not recognised as deferred tax assets

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
Deductible tax losses	<b>329,543,457.25</b>	300,376,778.45
Deductible temporary differences	<b>333,317,279.45</b>	386,007,244.14
Total	<b>662,860,736.70</b>	686,384,022.59

The Group considers that it is not probable that sufficient taxable profits will be available in future periods to offset the above deductible temporary differences and deductible losses. Therefore, no deferred tax assets are recognised on the above deductible tax losses and temporary differences.

Tax losses of 36,766,668.47 for which deferred tax assets are not recognised in previous years were expired in this year. The tax losses which are not recognised as deferred tax assets as at 31 December 2017 will be expired during the period from 31 December 2018 to 31 December 2022. (The tax losses which are not recognised as deferred tax assets as at 31 December 2016 would be expired during the period from 31 December 2017 to 31 December 2021.)

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18 Other non-current assets

	The Group	
	2017 RMB	2016 RMB (Restated)
Prepayments for operation expenses of express service zones	<b>168,221,001.60</b>	134,167,034.97
Prepayments for land use rights	<b>90,211,299.59</b>	155,564,557.89
Pending deduct input VAT	<b>45,855,443.97</b>	—
Revaluation increment of asset value of Guangdong Yueyun Langri Co., Ltd. (Note)	<b>18,375,255.49</b>	18,834,636.88
Prepayments for construction and equipments	<b>14,821,693.36</b>	19,756,766.29
Prepaid taxes	<b>14,612,389.75</b>	15,792,984.29
Prepayments for vehicles	<b>4,363,053.58</b>	16,891,870.26
Prepayments for purchasing house	<b>2,297,973.00</b>	18,399,299.55
Others	<b>48,758,186.07</b>	31,001,022.71
Total	<b>407,516,296.41</b>	410,408,172.84

Note: This other non-current asset represents revaluation increment of net identifiable asset value of Guangdong Yueyun Langri Co. Ltd. as at 23 November 2007, the date on which GVTG, the company's subsidiary, acquired their equity interests. GVTG adopted CAS since 1 January 2009, and pursuant to the provision of "the Experts' view on implementation issues of CAS" in relation to the treatment on the balance of the debit difference of long-term equity investments in subsidiaries arising from combination of companies held by the acquirer which are not under a business combination involving enterprises under common control, if the acquirer can determine the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date, the balance of the differences between the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date and their carrying amounts, net of amortisation, as at the initial implementation date, shall be allocated to each of identifiable assets and liabilities of the acquiree in a reasonable method, and shall be depreciated and amortised over the remaining useful life of identifiable assets of the acquiree. Such depreciation and amortisation is included under the investment income item in the consolidated income statement; in case such balance could not be allocated to each of identifiable assets and liabilities of the acquiree, it shall be amortised evenly over the remaining amortisation period of differences of original equity investments and shall be included under the investment income item in the consolidated income statement. Balance that is not amortised completely shall be included in the consolidated balance sheet as other non-current asset. Since GVTG could not allocate the balance of such valuation increment to identifiable assets and liabilities of Guangdong Yueyun Langri Co., Ltd., thus GVTG accounts for the balance of such valuation increment as other non-current assets. Amortisation period is from the acquisition date to the termination date of operation that is from November 2007 to October 2057.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19 Provisions for impairment

Details of provisions for impairment of the Group as at 31 December 2017 are as follows:

	Note V	Balance	Provision	Changes in	Decrease during the year		Balance
		at the beginning		consolidation	Reversal		at the end of
		of the year	during the year	scope resulting	Write-off	the year	
		RMB	RMB	from business	RMB	RMB	RMB
		(Restated)		combinations			
Accounts receivable	3	69,916,406.03	2,991,698.17	—	(8,755,430.05)	(14,602.79)	64,138,071.36
Prepayments	4	474,086,747.92	363.90	—	—	—	474,087,111.82
Other receivables	5	62,587,098.56	11,412,175.34	(261,384.30)	(4,514,984.07)	(28,915.83)	69,193,989.70
Long-term receivables		—	3,211,168.14	—	—	—	3,211,168.14
Inventories	6	1,000,430.00	3,636,097.82	—	—	—	4,636,527.82
Available-for-sale financial assets	10	1,348,476.29	—	—	—	—	1,348,476.29
Fixed assets	12	1,294,040.74	859,842.53	—	—	(1,294,040.74)	859,842.53
Construction in progress	13	451,957.10	3,934,508.02	—	—	—	4,386,465.12
Long-term deferred expenses	16	7,162,543.22	—	—	—	—	7,162,543.22
<b>Total</b>		<b>617,847,699.86</b>	<b>26,045,853.92</b>	<b>(261,384.30)</b>	<b>(13,270,414.12)</b>	<b>(1,337,559.36)</b>	<b>629,024,196.00</b>

Details of provisions for impairment of the Group as at 31 December 2016 are as follows:

	Note V	Balance	Provision	Changes in	Decrease during the year		Balance
		at the beginning		consolidation	Reversal		at the end of
		of the year	during the year	scope resulting	Write-off	the year	
		RMB	RMB	from business	RMB	RMB	RMB
		(Restated)		combinations			(Restated)
Accounts receivable	3	41,540,496.79	36,595,521.72	6,797.07	(8,093,759.68)	(132,649.87)	69,916,406.03
Prepayments	4	475,218,109.13	21,263.67	—	(627,132.91)	(525,491.97)	474,086,747.92
Other receivables	5	60,261,697.63	3,026,676.18	371,282.44	(1,071,834.25)	(723.44)	62,587,098.56
Inventories	6	—	1,000,430.00	—	—	—	1,000,430.00
Available-for-sale financial assets	10	1,348,476.29	—	—	—	—	1,348,476.29
Fixed assets	12	1,294,040.74	—	—	—	—	1,294,040.74
Construction in progress	13	451,957.10	—	—	—	—	451,957.10
Long-term deferred expenses	16	7,162,543.22	—	—	—	—	7,162,543.22
<b>Total</b>		<b>587,277,320.90</b>	<b>40,643,891.57</b>	<b>378,079.51</b>	<b>(9,792,726.84)</b>	<b>(658,865.28)</b>	<b>617,847,699.86</b>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**19 Provisions for impairment** (Continued)

Details of provisions for impairment of the Company as at 31 December 2017 are as follows:

		Balance at the beginning of the year RMB	Provision during the year RMB	Decrease during the year		Balance at the end of the year RMB
	Note V			Reversal RMB	Written-off RMB	
Accounts receivable	3	50,736,862.43	—	(4,427,227.22)	—	46,309,635.21
Prepayments	4	474,065,484.25	—	—	—	474,065,484.25
Other receivables	5	36,311,371.50	—	—	—	36,311,371.50
Long-term deferred expenses	16	7,162,543.22	—	—	—	7,162,543.22
Total		<u>568,276,261.40</u>	<u>—</u>	<u>(4,427,227.22)</u>	<u>—</u>	<u>563,849,034.18</u>

Details of provisions for impairment of the Company as at 31 December 2016 are as follows:

		Balance at the beginning of the year RMB	Provision during the year RMB	Decrease during the year		Balance at the end of the year RMB
	Note V			Reversal RMB	Written-off RMB	
Accounts receivable	3	34,045,633.46	21,918,429.97	(5,227,201.00)	—	50,736,862.43
Prepayments	4	474,065,484.25	—	—	—	474,065,484.25
Other receivables	5	34,929,551.74	1,381,819.76	—	—	36,311,371.50
Long-term deferred expenses	16	7,162,543.22	—	—	—	7,162,543.22
Total		<u>550,203,212.67</u>	<u>23,300,249.73</u>	<u>(5,227,201.00)</u>	<u>—</u>	<u>568,276,261.40</u>

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20 Assets with restricted ownership or right of use

		The Group			
		Balance as at 1 January 2017 RMB	Addition during the year RMB	Decrease during the year RMB	Balance as at 31 December 2017 RMB
	Note V				
Assets pledged as collateral					
– Investment properties	11	—	25,127,954.08	(2,735,239.52)	22,392,714.56
– Fixed assets	12	239,508,460.95	151,815,994.23	(48,537,653.25)	342,786,801.93
– Intangible assets	14	126,497,026.67	3,319,417.77	(37,943,012.52)	91,873,431.92
Sub-total		<u>366,005,487.62</u>	<u>180,263,366.08</u>	<u>(89,215,905.29)</u>	<u>457,052,948.41</u>
Assets pledged as counter guarantee					
– Intangible assets	14	125,263,221.82	—	(16,911,153.84)	108,352,067.98
Sub-total		<u>125,263,221.82</u>	<u>—</u>	<u>(16,911,153.84)</u>	<u>108,352,067.98</u>
Assets with restrictions arising from other reasons					
– Cash at bank and on hand	1	9,723,308.72	2,041,864.08	(106,045.90)	11,659,126.90
Sub-total		<u>9,723,308.72</u>	<u>2,041,864.08</u>	<u>(106,045.90)</u>	<u>11,659,126.90</u>
Total		<u>500,992,018.16</u>	<u>182,305,230.16</u>	<u>(106,233,105.03)</u>	<u>577,064,143.29</u>



## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 20 Assets with restricted ownership or right of use (Continued)

	Note V	The Group			Balance as at 31 December 2016 RMB
		Balance as at 1 January 2016 RMB	Addition during the year RMB	Decrease during the year RMB	
Assets pledged as collateral					
– Investment properties	11	1,847,361.44	—	(1,847,361.44)	—
– Fixed assets	12	202,384,006.22	131,045,058.44	(93,920,603.71)	239,508,460.95
– Intangible assets	14	78,270,052.85	63,866,898.24	(15,639,924.42)	126,497,026.67
Sub-total		282,501,420.51	194,911,956.68	(111,407,889.57)	366,005,487.62
Assets pledged as counter guarantee					
– Intangible assets	14	142,174,375.66	—	(16,911,153.84)	125,263,221.82
Sub-total		142,174,375.66	—	(16,911,153.84)	125,263,221.82
Assets with restrictions arising from other reasons					
– Cash at bank and on hand	1	10,354,388.65	—	(631,079.93)	9,723,308.72
Sub-total		10,354,388.65	—	(631,079.93)	9,723,308.72
Total		435,030,184.82	194,911,956.68	(128,950,123.34)	500,992,018.16

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**20 Assets with restricted ownership or right of use** (Continued)

		The Company			
		Balance as at 1 January 2017 RMB	Addition during the year RMB	Decrease during the year RMB	Balance as at 31 December 2017 RMB
Assets pledged as counter guarantee	Note V				
– Intangible assets	14	<u>125,263,221.82</u>	—	<u>(16,911,153.84)</u>	<u>108,352,067.98</u>

		The Company			
		Balance as at 1 January 2016 RMB	Addition during the year RMB	Decrease during the year RMB	Balance as at 31 December 2016 RMB
Assets pledged as counter guarantee	Note V				
– Intangible assets	14	<u>142,174,375.66</u>	—	<u>(16,911,153.84)</u>	<u>125,263,221.82</u>

**21 Short-term loans**

		The Group	
		2017 RMB	2016 RMB
Unsecured loans	Note	<u>161,000,000.00</u>	25,000,000.00
Loans secured by mortgages	(1)	—	20,000,000.00
Loans secured by letter of credit	(2)	<u>51,806,642.67</u>	—
Total		<u>212,806,642.67</u>	<u>45,000,000.00</u>

(1) For the details of assets pledged for secured loans as at 31 December 2017, please refer to Note V. 12 and 14.

(2) As at 31 December 2017, the loans from HSBC Bank were secured by the letter of credit issued by the Company to its subsidiary, Yueyun Transportation (HK) Company Limited. The principal of the loans was RMB 51,806,642.67 and the loan period was 60 days (31 December 2016: Nil).

As at 31 December 2017, the Group's short-term loans were bank borrowings within 1 year, which bear interest rates ranging from 4.00% - 4.35% per annum (31 December 2016: 4.13% - 4.35%). The Group had no overdue short-term loan as at 31 December 2017 (31 December 2016: Nil).

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**22 Bills payable**

	The Group		The Company	
	2017	2016	2017	2016
	RMB	RMB	RMB	RMB
Bank acceptance bills	<b>780,735,011.25</b>	462,401,913.99	<b>473,950,000.00</b>	92,189,797.25

The above bills are all due within one year.

**23 Accounts payable**

(1) The ageing analysis of accounts payable according to the date of transaction is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	RMB	RMB	RMB	RMB
		(Restated)		
Within 3 months (inclusive)	<b>474,934,648.01</b>	483,334,584.17	<b>72,469,217.59</b>	185,046,726.62
Over 3 months and within 6 months (inclusive)	<b>99,607,525.09</b>	27,288,475.41	<b>433,891.05</b>	28,772,933.83
Over 6 months and within 1 year (inclusive)	<b>144,331,644.47</b>	57,812,145.47	<b>3,980,205.14</b>	155,000.00
Over 1 year and within 2 years (inclusive)	<b>27,206,880.67</b>	44,778,732.10	<b>4,469,475.54</b>	352,824.64
Over 2 years and within 3 years (inclusive)	<b>13,357,963.84</b>	35,823,376.21	<b>15,072.85</b>	343,111.21
Over 3 years	<b>39,036,283.69</b>	20,703,537.57	<b>12,357,584.33</b>	12,402,548.52
Total	<b>798,474,945.77</b>	669,740,850.93	<b>93,725,446.50</b>	227,073,144.82

(2) As at 31 December 2017, the Group and the Company had no accounts payable with ageing over one year and individual amount over RMB10 million.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**24 Advances from customers**

(1) The ageing analysis of advances from customers is as follows:

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Within 1 year (inclusive)	<b>173,429,698.29</b>	222,642,253.51	<b>11,372,453.12</b>	32,664,000.44
Over 1 year and within 2 years (inclusive)	<b>13,620,777.98</b>	4,892,483.61	<b>800,002.38</b>	2,295,499.33
Over 2 years and within 3 years (inclusive)	<b>216,151.89</b>	487,456.72	—	—
Over 3 years	<b>5,837,817.67</b>	6,513,118.51	<b>3,859,506.78</b>	3,859,506.78
Total	<b>193,104,445.83</b>	234,535,312.35	<b>16,031,962.28</b>	38,819,006.55

(2) As at 31 December 2017, the Group and the Company had no advances from customers with ageing over one year and individual amount over RMB10 million.

**25 Employee benefits payable**

	Note	The Group		The Company	
		2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Short-term employee benefits	(1)	<b>157,098,288.27</b>	141,191,189.32	<b>19,398,719.72</b>	15,951,328.69
Post-employment benefits – defined contribution plans	(2)	<b>10,128,447.04</b>	11,902,530.84	<b>45,491.13</b>	45,491.13
Termination benefits		<b>4,214,302.39</b>	4,214,302.39	<b>2,173,877.04</b>	2,173,877.04
Long-term employee benefits due within one year (Note V. 34)		<b>7,014,325.59</b>	7,596,778.66	—	—
Total		<b>178,455,363.29</b>	164,904,801.21	<b>21,618,087.89</b>	18,170,696.86

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 25 Employee benefits payable (Continued)

## (1) Short-term employee benefits

	The Group			
	Balance	Accrued	Paid during	Balance
	at 1 January			during the year
	2017	RMB	RMB	2017
RMB	RMB	RMB	RMB	
	(Restated)			
Salaries, bonuses, allowances	125,630,306.23	1,277,318,303.69	(1,259,029,118.99)	143,919,490.93
Staff welfare	237,317.77	67,699,515.87	(67,836,557.03)	100,276.61
Social insurance	1,707,395.19	68,422,250.03	(68,664,737.77)	1,464,907.45
Including: Medical insurance	1,837,750.19	58,243,476.73	(58,617,157.08)	1,464,069.84
Work-related injury insurance	(100,567.27)	4,502,171.40	(4,401,115.56)	488.57
Maternity insurance	(50,269.71)	5,481,241.57	(5,430,622.82)	349.04
Others	20,481.98	195,360.33	(215,842.31)	—
Housing fund	2,577,971.36	68,108,926.63	(67,793,474.16)	2,893,423.83
Labor union fee, staff and workers' education fee	10,890,767.70	21,027,653.90	(23,345,373.22)	8,573,048.38
Other short-term employee benefits	147,431.07	14,281,440.34	(14,281,730.34)	147,141.07
Labor protection fee	—	3,614,087.38	(3,614,087.38)	—
Labor service charge	—	43,570,928.23	(43,570,928.23)	—
Total	<u>141,191,189.32</u>	<u>1,564,043,106.07</u>	<u>(1,548,136,007.12)</u>	<u>157,098,288.27</u>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25 Employee benefits payable (Continued)

##### (1) Short-term employee benefits (Continued)

	The Group			
	Balance			Balance
	at 1 January	Accrued	Paid during	at 31 December
	2016	during the year	the year	2016
	RMB	RMB	RMB	RMB
	(Restated)			(Restated)
Salaries, bonuses, allowances	119,325,663.00	1,239,332,501.57	(1,233,027,858.34)	125,630,306.23
Staff welfare	107,608.82	55,256,348.29	(55,126,639.34)	237,317.77
Social insurance	1,685,795.80	66,355,049.10	(66,333,449.71)	1,707,395.19
Including: Medical insurance	1,831,976.22	56,724,165.73	(56,718,391.76)	1,837,750.19
Work-related injury insurance	(100,808.47)	3,930,952.39	(3,930,711.19)	(100,567.27)
Maternity insurance	(51,016.86)	4,762,186.92	(4,761,439.77)	(50,269.71)
Others	5,644.91	937,744.06	(922,906.99)	20,481.98
Housing fund	4,784,204.30	66,178,219.34	(68,384,452.28)	2,577,971.36
Labor union fee, staff and workers' education fee	10,891,776.10	20,684,410.75	(20,685,419.15)	10,890,767.70
Other short-term employee benefits	145,451.07	3,633,312.12	(3,631,332.12)	147,431.07
Labor protection fee	—	4,989,410.75	(4,989,410.75)	—
Labor service charge	—	48,894,873.67	(48,894,873.67)	—
Total	<u>136,940,499.09</u>	<u>1,505,324,125.59</u>	<u>(1,501,073,435.36)</u>	<u>141,191,189.32</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**25 Employee benefits payable** (Continued)

## (1) Short-term employee benefits (Continued)

	The Company			
	Balance	Accrued	Paid during	Balance
	at 1 January			during the year
	2017	during the year	the year	2017
RMB	RMB	RMB	RMB	
Salaries, bonuses, allowances	13,232,219.73	32,580,542.20	(29,138,447.77)	16,674,314.16
Staff welfare	—	1,739,239.75	(1,739,239.75)	—
Social insurance	1,465,150.31	1,988,453.99	(1,988,453.99)	1,465,150.31
Including: Medical insurance	1,464,312.70	1,647,325.05	(1,647,325.05)	1,464,312.70
Work-related injury insurance	488.57	63,516.05	(63,516.05)	488.57
Maternity insurance	349.04	200,032.42	(200,032.42)	349.04
Others	—	77,580.47	(77,580.47)	—
Housing fund	249,335.00	3,257,637.00	(3,257,637.00)	249,335.00
Labor union fee, staff and workers' education fee	964,010.56	1,031,255.66	(1,025,959.06)	969,307.16
Other short-term employee benefits	40,613.09	414,350.00	(414,350.00)	40,613.09
Labor service charge	—	116,779.54	(116,779.54)	—
Total	<u>15,951,328.69</u>	<u>41,128,258.14</u>	<u>(37,680,867.11)</u>	<u>19,398,719.72</u>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25 Employee benefits payable (Continued)

##### (1) Short-term employee benefits (Continued)

	The Company			
	Balance			Balance
	at 1 January	Accrued	Paid during	at 31 December
	2016	during the year	the year	2016
	RMB	RMB	RMB	RMB
Salaries, bonuses, allowances	15,356,864.88	28,987,293.02	(31,111,938.17)	13,232,219.73
Staff welfare	—	1,876,717.44	(1,876,717.44)	—
Social insurance	1,465,150.31	2,048,579.32	(2,048,579.32)	1,465,150.31
Including: Medical insurance	1,464,312.70	1,776,205.84	(1,776,205.84)	1,464,312.70
Work-related injury insurance	488.57	58,328.80	(58,328.80)	488.57
Maternity insurance	349.04	189,778.58	(189,778.58)	349.04
Others	—	24,266.10	(24,266.10)	—
Housing fund	249,335.00	4,203,924.00	(4,203,924.00)	249,335.00
Labor union fee, staff and workers' education fee	641,231.18	1,100,677.84	(777,898.46)	964,010.56
Other short-term employee benefits	40,613.09	426,150.00	(426,150.00)	40,613.09
Labor service charge	—	116,120.45	(116,120.45)	—
Total	<u>17,753,194.46</u>	<u>38,759,462.07</u>	<u>(40,561,327.84)</u>	<u>15,951,328.69</u>



**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**25 Employee benefits payable** (Continued)

## (2) Post-employment benefits - defined contribution plans

	The Group			
	Balance	Accrued	Paid during	Balance
	at 1 January			at 31 December
	2017	during the year	the year	2017
RMB	RMB	RMB	RMB	
Basic pension insurance	8,168,802.15	115,117,929.93	(115,459,396.89)	7,827,335.19
Unemployment insurance	163,916.21	4,684,742.36	(4,676,121.38)	172,537.19
Annuity	558,213.10	7,908,395.40	(8,275,492.19)	191,116.31
Mandatory provident fund	3,011,599.38	420,194.20	(1,494,335.23)	1,937,458.35
Total	<u>11,902,530.84</u>	<u>128,131,261.89</u>	<u>(129,905,345.69)</u>	<u>10,128,447.04</u>

	The Group			
	Balance	Accrued	Paid during	Balance
	at 1 January			at 31 December
	2016	during the year	the year	2016
RMB	RMB	RMB	RMB	
Basic pension insurance	7,917,589.25	105,627,686.21	(105,376,473.31)	8,168,802.15
Unemployment insurance	163,575.66	4,819,949.23	(4,819,608.68)	163,916.21
Annuity	820,356.83	7,073,617.74	(7,335,761.47)	558,213.10
Mandatory provident fund	3,322,536.81	255,135.88	(566,073.31)	3,011,599.38
Total	<u>12,224,058.55</u>	<u>117,776,389.06</u>	<u>(118,097,916.77)</u>	<u>11,902,530.84</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**25 Employee benefits payable** (Continued)

## (2) Post-employment benefits - defined contribution plans (Continued)

	The Company			
	Balance	Accrued	Paid during	Balance
	at 1 January			during the year
	2017	2017	the year	2017
RMB	RMB	RMB	RMB	
Basic pension insurance	36,683.46	3,066,496.10	(3,066,496.10)	36,683.46
Unemployment insurance	8,807.67	112,959.22	(112,959.22)	8,807.67
Annuity	—	1,469,410.70	(1,469,410.70)	—
Total	<u>45,491.13</u>	<u>4,648,866.02</u>	<u>(4,648,866.02)</u>	<u>45,491.13</u>

	The Company			
	Balance	Accrued	Paid during	Balance
	at 1 January			during the year
	2016	2016	the year	2016
RMB	RMB	RMB	RMB	
Basic pension insurance	36,683.46	2,975,555.83	(2,975,555.83)	36,683.46
Unemployment insurance	8,837.67	122,433.22	(122,463.22)	8,807.67
Annuity	(30.00)	1,396,787.04	(1,396,757.04)	—
Total	<u>45,491.13</u>	<u>4,494,776.09</u>	<u>(4,494,776.09)</u>	<u>45,491.13</u>

The Group and the Company paid termination benefits amounting to RMB 4,076,444.23 and RMB 0.00 respectively in 2017 (The Group and the Company paid termination benefits amounting to RMB 3,327,943.45 and RMB155,554.00 respectively in 2016).

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26 Taxes payable

	The Group				
	Balance at	Accrued	Changes in consolidation scope resulting from business combinations	Paid during the year	Balance at
	1 January				during the year
	2017	during the year	combinations	the year	2017
RMB	RMB	RMB	RMB	RMB	
	(Restated)				
VAT	47,361,923.45	170,167,089.95	63,341.97	(141,723,476.47)	75,868,878.90
Business tax	706,980.33	—	—	(187,136.02)	519,844.31
Corporate income tax	60,908,286.44	171,711,060.31	8,530.35	(171,461,109.67)	61,166,767.43
Urban maintenance and construction tax	3,135,980.22	13,078,090.64	639.62	(10,913,243.91)	5,301,466.57
Property tax	4,751,564.36	16,144,457.36	—	(13,205,575.49)	7,690,446.23
Land use tax	2,602,295.21	4,967,120.98	—	(2,396,540.97)	5,172,875.22
Individual income tax	6,866,183.36	39,576,031.15	(22,801.29)	(40,598,069.19)	5,821,344.03
Education surcharges and local education surcharges	2,231,364.61	10,004,531.62	285.63	(8,466,232.13)	3,769,949.73
Others	4,977,542.94	18,134,598.05	(44,471.95)	(18,194,315.61)	4,873,353.43
Total	<u>133,542,120.92</u>	<u>443,782,980.06</u>	<u>5,524.33</u>	<u>(407,145,699.46)</u>	<u>170,184,925.85</u>

	The Company			
	Balance at	Accrued	Paid during	Balance at
	1 January			during the year
	2017	during the year	the year	2017
RMB	RMB	RMB	RMB	
VAT	3,720,466.62	29,348,123.85	(9,119,918.19)	23,948,672.28
Business tax	60,674.33	—	—	60,674.33
Corporate income tax	7,978,991.16	35,114,236.47	(39,749,348.21)	3,343,879.42
Urban maintenance and construction tax	45,041.51	1,994,158.30	(611,952.10)	1,427,247.71
Individual income tax	440,750.89	3,280,998.79	(3,623,265.57)	98,484.11
Education surcharges and local education surcharges	33,296.05	1,514,540.93	(524,781.39)	1,023,055.59
Others	988,824.24	967,897.41	(800,569.00)	1,156,152.65
Total	<u>13,268,044.80</u>	<u>72,219,955.75</u>	<u>(54,429,834.46)</u>	<u>31,058,166.09</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**27 Interest payable**

	The Group		The Company	
	2017 RMB	2016 RMB	2017 RMB	2016 RMB
Interest payable for bank loans	<b>652,947.80</b>	366,333.83	—	—
Interest payable for corporate bonds	<b>4,729,044.52</b>	4,729,044.48	<b>4,729,044.52</b>	4,729,044.48
Total	<b>5,381,992.32</b>	5,095,378.31	<b>4,729,044.52</b>	4,729,044.48

**28 Dividends payable**

	The Group	
	2017 RMB	2016 RMB
Zhaoqing Communications Group Company Limited	<b>9,344,848.93</b>	13,744,383.71
Committee of Shaoguan Vehicles Transportation Group	<b>9,746,966.93</b>	3,864,410.10
Shaoguan Jinye Development Company	<b>8,633,234.16</b>	—
Individual shareholders of subsidiaries	<b>4,102,619.29</b>	3,620,883.98
Guangdong Xinyue Communications Investment Company Limited	<b>2,780,436.84</b>	2,780,436.84
Guangzhou Long-Distance Transportation Company	<b>2,640,000.00</b>	—
Shenzhen Communication Company Limited	<b>313,500.00</b>	313,500.00
Mami Hong Kong Tourism Trade Co., Ltd.	<b>313,500.00</b>	313,500.00
Foshan City Railway Port Management Coordination Center	<b>178,360.00</b>	178,360.00
Foshan Public Transportation Co., Ltd.	—	2,303,000.00
Labor Union Committee of Zhaoqing City Yueyun Motor Transportation Co., Ltd.	—	2,191,133.64
Guangdong Heyuan City, Motor Transport Group Co., Ltd.	—	374,555.94
Total	<b>38,053,466.15</b>	29,684,164.21

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 29 Other payables

(1) Other payables by category:

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Related Party	<b>59,631,468.82</b>	18,380,535.84	<b>739,451,697.07</b>	1,031,920,299.47
Third Party	<b>531,208,321.40</b>	561,608,587.49	<b>22,862,982.29</b>	24,982,960.36
Total	<b>590,839,790.22</b>	579,989,123.33	<b>762,314,679.36</b>	1,056,903,259.83

(2) Other payables by nature:

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Deposits	<b>263,451,279.34</b>	269,121,527.62	<b>6,198,424.14</b>	11,781,448.43
Amount paid on behalf of the Group	<b>81,990,573.86</b>	45,670,099.42	<b>744,640,512.02</b>	1,035,907,790.62
Deposits received from drivers for safety management purposes	<b>41,125,799.04</b>	44,022,942.06	—	—
Construction payables	<b>92,056,127.74</b>	53,139,297.28	—	—
Accidents compensation payables	<b>3,910,925.89</b>	4,080,187.71	—	—
Others	<b>108,305,084.35</b>	163,955,069.24	<b>11,475,743.20</b>	9,214,020.78
Total	<b>590,839,790.22</b>	579,989,123.33	<b>762,314,679.36</b>	1,056,903,259.83

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)

**29 Other payables** (Continued)

(3) As at 31 December 2017, other payables of the Group with ageing over one year were bid bonds and performance bonds. The following other payables to customers with ageing over one year and individual amount over RMB10 million:

The Group	Amount owed RMB	Reasons for unsettlement
China Petrochemical Sales Co., Ltd. Guangdong Branch	18,500,000.00	Deposit, within contract term

As at 31 December 2017, the Company had no other payables with ageing over one year and individual amount over RMB10 million.

**30 Non-current liabilities due within one year**

	Note V	The Group	
		2017	2016
		RMB	RMB
Long-term loans due within one year	31	<b>65,288,121.58</b>	45,347,000.63
Long-term payables due within one year	33	<b>46,030,588.71</b>	34,872,176.24
Deferred income due within one year	36	<b>39,970,050.73</b>	44,133,270.15
Total		<b>151,288,761.02</b>	124,352,447.02

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 31 Long-term loans

		The Group	
	Note	2017 RMB	2016 RMB
Unsecured loans		<b>402,062,236.71</b>	93,806,859.58
Loans secured by mortgages	(1)	<b>163,301,017.89</b>	183,965,871.98
Total	(2)	<b>565,363,254.60</b>	277,772,731.56
Less: long-term loans due within one year			
Including: Unsecured loans		<b>16,688,760.55</b>	9,883,432.75
Loans secured by mortgages		<b>48,599,361.03</b>	35,463,567.88
Sub-total (Note V. 30)		<b>65,288,121.58</b>	45,347,000.63
Long-term loans due after 1 year		<b>500,075,133.02</b>	232,425,730.93
Including: Due after 1 year but within 2 years		<b>187,216,083.87</b>	37,353,465.64
Due after 2 years but within 5 years		<b>312,859,049.15</b>	195,072,265.29

Note 1: For the details of categories and amount of assets pledged for secured loans as at 31 December 2017, please refer to Note V. 12 and 14.

Note 2: As at 31 December 2017, all the Group's long-term loans were from banks and GCG Finance with interest rates ranging from 4.28% - 4.90% per annum (31 December 2016: 4.37% - 4.90% per annum). The Group did not have any expired but outstanding long-term loans as at 31 December 2017 (31 December 2016: Nil).

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**32 Bonds payable***The Group and the Company*

Item	Period	Issue date	Face value	Discount	Amortisation	Amortisation	Carrying
					as at		amount as at
				amount	1 January 2017	for the year	31 December 2017
			RMB	RMB	RMB	RMB	RMB
2014 corporate bond (first phase)	7 years	28/09/2015	400,000,000.00	(3,620,513.00)	396,948,007.65	477,565.53	397,425,573.18
2014 corporate bond (second phase)	5 years	17/12/2015	380,000,000.00	(3,439,487.00)	377,222,786.43	662,456.58	377,885,243.01
Total			<u>780,000,000.00</u>	<u>(7,060,000.00)</u>	<u>774,170,794.08</u>	<u>1,140,022.11</u>	<u>775,310,816.19</u>

On 28 September 2015, the Company entrust Morgan Stanley Huaxin Securities Company Limited as the lead underwriter and issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB400.00 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 RMB380.00 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 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.



## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 33 Long-term payables

*The Group*

	Note	2017 RMB	2016 RMB (Restated)
Deposits		<b>16,696,786.35</b>	17,768,782.11
Obligations under finance lease	(1)	<b>160,712,080.18</b>	58,304,180.89
Payables for vehicles purchase		<b>2,619,809.72</b>	67,698,101.41
Station construction fees		<b>6,380,376.00</b>	7,470,376.00
Others		<b>13,789,894.02</b>	11,290,527.68
Total		<b>200,198,946.27</b>	162,531,968.09
Less: Long-term payables due within one year			
Including: Deposits		—	94,196.72
Obligations under finance lease		<b>41,157,401.09</b>	13,863,709.80
Payables for vehicles purchase		<b>2,563,187.58</b>	17,914,194.82
Others		<b>2,310,000.04</b>	3,000,074.90
Sub-total (Note V. 30)		<b>46,030,588.71</b>	34,872,176.24
Long-term payables due after one year		<b>154,168,357.56</b>	127,659,791.85

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**33 Long-term payables** (Continued)*The Group (Continued)*

- (1) The obligations under finance lease are represent payables for cars under finance lease. As at 31 December, the total future minimum lease payment of finance lease is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Within 1 year (inclusive)	<b>47,360,135.80</b>	13,863,709.80
Over 1 year and within 2 years (inclusive)	<b>47,360,135.80</b>	13,863,709.80
Over 2 years and within 3 years (inclusive)	<b>47,360,135.80</b>	13,863,709.80
Over 3 years	<b>33,113,899.20</b>	23,106,183.00
Sub-total	<b>175,194,306.60</b>	64,697,312.40
Less: Unrecognised finance charges	<b>14,482,226.42</b>	6,393,131.51
Carrying amounts	<b>160,712,080.18</b>	58,304,180.89

**34 Long-term employee benefits payable***The Group*

		<b>2017</b>	2016
		<b>RMB</b>	RMB
Termination benefits	Note V	<b>157,351,100.59</b>	169,736,727.72
Less: Settled within one year	25	<b>7,014,325.59</b>	7,596,778.66
Total		<b>150,336,775.00</b>	162,139,949.06

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**34 Long-term employee benefits payable** (Continued)

The above termination benefits are classified as post-employment benefits - defined contribution plans. The Group provides the staff in some of its subsidiaries with the following two kinds of defined contribution plans of post-employment benefits:

- (i) Retirement subsidy plan: retired staff are entitled to a supplementary monthly pension after meeting specific requirements. The pension amounts are determined at a level of a certain proportion of the respective staff's final wages before retirement. As of 31 December 2017, there was no adjustment to the retirement subsidy plan above made by the Group.
- (ii) Post-retirement medical care plan: purchase medical care insurance for retired staff for certain years.

The above defined benefit plans expose the Group to actuarial risk such as longevity risk and inflation risk. Disclosures are summarised as follows since defined benefit plans discussed above have same risks and characteristics:

- (a) Amounts recognised in the financial statements and related movements in liability of defined benefit plans are as follows:

	<b>2017</b>
	<b>RMB</b>
Balance at the beginning of the year	<b>169,736,727.72</b>
Included in profit or loss:	<b>4,008,774.70</b>
– Current cost	<b>1,603,363.27</b>
– Net interest	<b>2,405,411.43</b>
Included in other comprehensive income:	<b>386,212.09</b>
– Actuarial loss	<b>386,212.09</b>
Other movements	<b>(16,780,613.92)</b>
– Benefits paid	<b>(16,780,613.92)</b>
Balance at the end of the year	<b>157,351,100.59</b>
Including: Retirement subsidy plan	<b>156,810,032.89</b>
Post-retirement medical benefits plan	<b>541,067.70</b>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)

**34 Long-term employee benefits payable** (Continued)

(b) Actuarial assumptions and sensitivity analysis

The following are the principal actuarial assumptions adopted by the Group to evaluate the present value of the defined benefit plan obligations:

	<b>2017</b>	2016
Discount rate	<b>2.79% - 4.22%</b>	2.79% - 3.58%
Average longevity expectancy	<b>75 - 82.5 years</b>	75 - 82.5 years

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date, holding other assumptions constant, would have affected the defined benefit obligations of the Group by the amounts shown below:

**2017:**

	<b>The Group</b>	
	<b>Increase RMB</b>	<b>Decrease RMB</b>
Discount rate (changes 0.1%)	<b>776,802.81</b>	<b>750,930.16</b>
Average longevity expectancy (changes 1 year)	<b>2,647,184.70</b>	<b>2,809,250.73</b>

2016:

	<b>The Group</b>	
	<b>Increase RMB</b>	<b>Decrease RMB</b>
Discount rate (changes 0.1%)	850,417.23	834,513.21
Average longevity expectancy (changes 1 year)	3,040,227.57	3,202,333.42

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide the approximation of the sensitivity of the assumptions shown.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**35 Provisions**

As at 31 December 2017, the provision was made for traffic accident compensations by the Group's subsidiaries Foshan City Yueyun Public Transportation Co., Ltd. and Heyuan City Yueyun Lvdu Public Transportation Co., Ltd.. As at 31 December 2016, the provision was made for a traffic accident compensation by the Group's subsidiary Guangdong Yueyun Langri Co., Ltd..

**36 Deferred income**

*The Group*

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Government grant related to assets	<b>232,422,343.41</b>	267,415,606.18
Prepayments of gas station contracts and others	<b>298,895,343.74</b>	307,535,584.41
Sub-total	<b>531,317,687.15</b>	574,951,190.59
Less: Government grants due within one year (Note V.30)	<b>39,970,050.73</b>	44,133,270.15
Deferred income due after one year	<b>491,347,636.42</b>	530,817,920.44

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**37 Share capital***The Group and the Company*

	1 January 2017 RMB	31 December 2017 RMB
<b>2017</b>		
I. Restricted tradable shares		
1. State-owned shares	—	—
2. State-owned representative shares	—	—
3. Other domestic-owned shares	—	—
Total restricted tradable shares	—	—
II. Tradable shares		
1. Ordinary shares denominated in RMB	<b>592,847,800.00</b>	<b>592,847,800.00</b>
2. Foreign-owned shares listed overseas	<b>207,000,000.00</b>	<b>207,000,000.00</b>
Total tradable shares	<b>799,847,800.00</b>	<b>799,847,800.00</b>
Total shares	<b>799,847,800.00</b>	<b>799,847,800.00</b>

	1 January 2016 RMB	Conversion from reserves to shares RMB	31 December 2016 RMB
<b>2016</b>			
I. Restricted tradable shares			
1. State-owned shares	—	—	—
2. State-owned representative shares	—	—	—
3. Other domestic-owned shares	—	—	—
Total restricted tradable shares	—	—	—
II. Tradable shares			
1. Ordinary shares denominated in RMB	419,462,800.00	173,385,000.00	592,847,800.00
2. Foreign-owned shares listed overseas	207,000,000.00	—	207,000,000.00
Total tradable shares	626,462,800.00	173,385,000.00	799,847,800.00
Total shares	626,462,800.00	173,385,000.00	799,847,800.00

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 38 Capital Reserve

	The Group		
	Balance as at 1 January 2017 RMB (Restated)	Additions/ (Reductions) During the year RMB	Balance as at 31 December 2017 RMB
Share premiums	166,006,796.05	(59,785,213.08)	106,221,582.97
Including: Capital contributed by shareholders	205,635,426.84	—	205,635,426.84
Capital reduction made by equity owners	—	(3,314,405.30)	(3,314,405.30)
Effect of acquisition of minority interests	(3,541,805.70)	(2,760,585.19)	(6,302,390.89)
Differences arising from business combination involving enterprises under common control	(144,510,245.09)	(53,710,222.59)	(198,220,467.68)
Conversion of Perpetual Subordinated Convertible Securities	108,423,420.00	—	108,423,420.00
Other capital reserve	18,800,491.50	—	18,800,491.50
Including: Transfer from capital reserves under the previous standards	2,170,000.00	—	2,170,000.00
Others	16,630,491.50	—	16,630,491.50
Total	<u>184,807,287.55</u>	<u>(59,785,213.08)</u>	<u>125,022,074.47</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**38 Capital Reserve** (Continued)

	The Group		
	Balance as at	Additions/ (Reductions)	Balance as at
	1 January 2016	During the year	31 December 2016
	RMB	RMB	RMB
	(Restated)		(Restated)
Share premiums	59,415,664.98	106,591,131.07	166,006,796.05
Including: Capital contributed			
by shareholders	205,635,426.84	—	205,635,426.84
Effect of acquisition of			
minority interests	(1,709,516.77)	(1,832,288.93)	(3,541,805.70)
Differences arising from			
business combination			
involving enterprises			
under common control	(144,510,245.09)	—	(144,510,245.09)
Conversion of Perpetual			
Subordinated			
Convertible Securities	—	108,423,420.00	108,423,420.00
Other capital reserve	18,800,491.50	—	18,800,491.50
Including: Transfer from capital			
reserves under the			
previous standards	2,170,000.00	—	2,170,000.00
Others	16,630,491.50	—	16,630,491.50
Total	<u>78,216,156.48</u>	<u>106,591,131.07</u>	<u>184,807,287.55</u>



## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 38 Capital Reserve (Continued)

	The Company	
	Balance as at 1 January 2017 RMB	Balance as at 31 December 2017 RMB
Share premiums	233,390,031.30	233,390,031.30
Including: Capital contributed by shareholders	160,947,844.65	160,947,844.65
Differences arising from business combination involving enterprises under common control	(35,981,233.35)	(35,981,233.35)
Conversion of Perpetual Subordinated Convertible Securities	108,423,420.00	108,423,420.00
Other capital reserve	12,630,075.81	12,630,075.81
Total	<u>246,020,107.11</u>	<u>246,020,107.11</u>

	The Company		
	Balance as at 1 January 2016 RMB	Additions During the year RMB	Balance as at 31 December 2016 RMB
Share premiums	124,966,611.30	108,423,420.00	233,390,031.30
Including: Capital contributed by shareholders	160,947,844.65	—	160,947,844.65
Differences arising from business combination involving enterprises under common control	(35,981,233.35)	—	(35,981,233.35)
Conversion of Perpetual Subordinated Convertible Securities	—	108,423,420.00	108,423,420.00
Other capital reserve	12,630,075.81	—	12,630,075.81
Total	<u>137,596,687.11</u>	<u>108,423,420.00</u>	<u>246,020,107.11</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**39 Other comprehensive income**

	The Group			Balance at the end of the year attributable to shareholders of the Company RMB		
	Balance at the beginning of the year attributable to shareholders of the Company RMB	Increase/ (decrease) during the year RMB	Less: Attributable to non-controlling interests RMB			
	Remeasurement of defined benefit plan liability	(3,877,510.69)	386,212.09		(147,712.61)	(3,639,011.21)
	Translation differences of foreign currency financial statements	(18,046,127.63)	(19,973,185.49)		7,243,484.59	(30,775,828.53)
Total	<u>(21,923,638.32)</u>	<u>(19,586,973.40)</u>	<u>7,095,771.98</u>	<u>(34,414,839.74)</u>		

**40 Special reserve**

	The Group	
	2017 RMB	2016 RMB
Balance at the beginning of the year	<b>31,476,221.97</b>	30,225,215.67
Additions during the year	<b>26,262,870.41</b>	22,869,494.07
Reductions during the year	<b>(24,476,212.80)</b>	(21,618,487.77)
Balance at the end of the year	<b><u>33,262,879.58</u></b>	<u>31,476,221.97</u>

According to the Administration instruction on using and provision of enterprises' safety special reserve (Caiqi [2012] 16) and Administration instruction of safely operation of Guangdong Yueyun Transportation Co., Ltd., transportation enterprises should provide safety reserve monthly based on last year's actual operating income, at the rates of 1% for ordinary freight transportation service and 1.5% for passengers transportation service, respectively. Enterprises serve for production and storage of hazardous goods should set provision of safety reserve by regressive method monthly based on last year's actual operating income.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**41 Surplus reserve**

	The Group RMB	The Company RMB
Balance as at 1 January 2016	142,234,113.99	139,756,025.13
Additions during the year	<u>10,619,481.04</u>	<u>10,619,481.04</u>
Balance as at 31 December 2016	152,853,595.03	150,375,506.17
Additions during the year	<u>24,762,375.26</u>	<u>24,762,375.26</u>
Balance as at 31 December 2017	<u><u>177,615,970.29</u></u>	<u><u>175,137,881.43</u></u>

Statutory surplus reserve can be used to make up for the losses, expand the production and operation or to be transferred to increase capital; when being transferred to capital, the statutory surplus reserve remained shall be no less than 25% of the Company's registered capital before the surplus reserve was transferred to increase capital. Please see Note V. 42 for the provision of statutory surplus reserve for the year.

**42 Retained earnings**

	Note	The Group 2017 RMB	2016 RMB (Restated)
Retained earnings at the beginning of the year		<b>1,001,774,064.23</b>	781,219,673.52
Add: Net profit for the year attributable to the shareholders of the Company		<b>417,279,825.51</b>	335,154,085.75
Less: Appropriation for statutory surplus reserve		<b>24,762,375.26</b>	10,619,481.04
Final dividends in respect of the previous financial year, approved and declared during the year	(1)	<u><b>103,980,214.00</b></u>	<u>103,980,214.00</u>
Retained earnings at the end of the year	(2)	<u><u><b>1,290,311,300.48</b></u></u>	<u><u>1,001,774,064.23</u></u>

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 42 Retained earnings (Continued)

	Note	The Company	
		2017 RMB	2016 RMB
Retained earnings at the beginning of the year		<b>122,142,940.11</b>	130,547,824.72
Add: Net profit for the year attributable to the shareholders of the Company		<b>247,623,752.62</b>	106,194,810.43
Less: Appropriation for statutory surplus reserve		<b>24,762,375.26</b>	10,619,481.04
Final dividends in respect of the previous financial year, approved and declared during the year	(1)	<b>103,980,214.00</b>	103,980,214.00
Retained earnings at the end of the year	(3)	<b>241,024,103.47</b>	122,142,940.11

- (1) A final dividend of RMB0.13 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 RMB103,980,214.00, 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: RMB0.13 per share(tax included), amounting to RMB103,980,214.00 in total).
- (2) As at 31 December 2017, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB 366,875,457.08 (31 December 2016: RMB 385,264,481.78).
- (3) As of 31 December 2017, the Company's distributable profits is RMB 241,024,103.47. (As of 31 December 2016, the Company's distributable profits amounted to RMB 122,142,940.11).
- (4) On 21 March 2018, the Board of Directors approved to recommend distribution of final dividend of 2017 of the Company of RMB0.16 before tax per share, totalling RMB 127,975,648.00, calculated based on the total number of shares of 799,847,800 of the Company as of 31 December 2017. The above proposal is subject to approval at the annual general meeting.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 43 Equity attributable to the shareholders of the Company

	The Group	
	2017	2016
	RMB	RMB
		(Restated)
(1) Equity attributable to the common shareholders of the Company	<b>2,391,645,185.08</b>	2,148,835,330.46
(2) Equity attributable to holders of other equity instrument Including: principal	—	—
Accumulated undistributed earnings of PSCS at the beginning of the year	—	2,818,100.00
Add: Earnings and comprehensive income attributable for the year	—	—
Less: Distributable earnings of PSCS no longer to be distributed	—	(2,818,100.00)
Accumulated undistributed earnings at the end of the year	—	—
Sub-total	—	—
Total equity attributable to the shareholders of the Company	<b>2,391,645,185.08</b>	2,148,835,330.46

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**44 Operating income and operating costs***The Group*

	2017		2016	
	Operating income RMB	Operating cost RMB	Operating income RMB (Restated)	Operating cost RMB (Restated)
1. Principal operating income				
Construction materials sales	2,540,699,428.32	2,311,286,666.03	2,998,838,651.80	2,847,882,025.85
Taiping Interchange service	213,134,399.17	45,681,395.56	196,870,416.43	35,479,186.81
Construction contracts income (Note 1)	18,432,886.30	14,089,144.53	24,578,869.64	15,815,863.09
Expressway service	916,480,989.63	746,009,466.98	839,588,165.65	614,893,925.26
Cross-border transportation	227,743,840.54	192,794,999.10	224,949,548.12	190,560,267.56
Domestic transportation service (Note 2)	2,242,641,925.46	1,790,223,508.20	2,370,034,975.08	1,869,171,288.33
Station operations	209,270,486.71	226,319,839.96	224,473,602.02	217,390,502.14
Fuel sales	385,660,072.85	338,641,549.77	45,818,654.03	31,549,287.82
Others	247,885,756.13	192,151,983.90	209,942,198.57	174,061,670.66
Sub-total	7,001,949,785.11	5,857,198,554.03	7,135,095,081.34	5,996,804,017.52
2. Other operating income				
Lease and other services (Note 3)	246,543,154.61	41,812,178.79	186,275,964.02	43,385,284.55
Total	7,248,492,939.72	5,899,010,732.82	7,321,371,045.36	6,040,189,302.07

Note 1: Details of construction contracts income with individual amount over RMB2 million are as follows:

Item	Total	Accumulated	Accumulated	Operating	Operating costs
	contract revenue RMB	costs incurred RMB	gross profits RMB	income recognised in the year RMB	recognised in the year RMB
Road greening and protection					
Project of Yunzhan Expressway	12,814,082.60	10,063,562.60	841,813.88	8,368,525.16	7,722,537.30
Landscape greening project of Yunzhan Expressway (LM6)	5,905,108.00	1,924,686.95	199,152.82	2,123,839.77	1,924,686.95
Total	18,719,190.60	11,988,249.55	1,040,966.70	10,492,364.93	9,647,224.25

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 44 Operating income and operating costs (Continued)

#### The Group (Continued)

Note 2: Operating income of Foshan City Yueyun Public Transportation Company Limited and Foshan City Sanshui District Yueyun Transportation Company Limited includes income derived from their operations of public traffic community business (hereinafter referred to as "TC Business"). Pursuant to the Public Traffic Service Contract signed between Foshan City Yueyun Public Transportation Company Limited and Foshan Chancheng Public Transport Management Co., Ltd. (hereinafter referred to as "Public Transport Management Company"), Foshan City Yueyun Public Transportation Company Limited shall operate certain bus lines in Chancheng District, Foshan City, and all fare income derived from routes operation shall be enjoyed by Public Transport Management Company, while Foshan City Yueyun Public Transportation Company Limited shall settle operating income with Public Transport Management Company monthly based on actual operating mileages of each operating route under price per kilometre of each route method as agreed in the Public Traffic Service Contract. During the year, income derived from Public Transport Management Company was RMB 346,219,708.67, representing 4.78% of total operating income (2016: RMB 354,836,644.64, representing 4.85% of total operating income).

Pursuant to the Sanshui District Government Procurement Project Contract signed between Foshan City Sanshui District Yueyun Transportation Company Limited and Foshan City Sanshui District Transportation and City Management Bureau, since April 7th 2016, Foshan City Sanshui District Yueyun Transportation Company shall operate certain bus lines in Sanshui District, Foshan City, and all fare income derived from routes operation shall be enjoyed by Foshan City Sanshui District Transportation and City Management Bureau, while Foshan City Sanshui District Yueyun Transportation Company Limited shall settle operating income with Foshan City Sanshui District Transportation and City Management Bureau monthly based on actual operating mileages of each operating route under price per kilometer of each route method as agreed in the Sanshui District Government Procurement Project Contract. During the year, income derived from Foshan City Sanshui District Transportation and City Management Bureau was RMB 99,323,323.61, representing 1.37% of total operating income (2016: RMB 69,341,987.18, representing 0.95% of total operating income).

Note 3: Other operating income includes lease income except for property lease, advertisement income on bodywork of vehicles and contractual management income etc.

#### The Company

	2017		2016	
	Operating income RMB	Operating cost RMB	Operating income RMB	Operating cost RMB
Principal operating income				
Construction materials sales	1,083,778,090.23	1,032,640,444.14	638,561,346.99	616,309,418.38
Taiping Interchange service	213,126,878.27	46,432,156.99	196,870,416.43	35,569,977.95
Other operating income	7,614,974.71	—	7,855,036.82	29,500.00
Total	1,304,519,943.21	1,079,072,601.13	843,286,800.24	651,908,896.33

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 45 Taxes and surcharges

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Business tax	<b>1,298,327.97</b>	18,665,827.35	—	2,114,006.48
Property tax	<b>15,986,122.99</b>	11,640,884.39	—	—
Urban maintenance and construction tax	<b>13,078,090.64</b>	10,900,613.12	<b>1,991,910.75</b>	531,395.37
Education surcharges and local education surcharges	<b>10,004,531.62</b>	8,425,576.35	<b>1,512,293.39</b>	462,821.93
Land use tax	<b>4,605,778.75</b>	4,193,593.56	—	—
Cultural undertakings fee	<b>3,067,614.07</b>	2,843,805.27	—	—
Anti-flood and maintenance fee	—	1,090,425.60	—	42,785.97
Others	<b>5,761,277.40</b>	3,360,944.47	<b>996,577.41</b>	448,586.36
Total	<b>53,801,743.44</b>	61,121,670.11	<b>4,500,781.55</b>	3,599,596.11

From 1 May 2016, the Group shall apply “Notice on Printing and Distributing the Accounting Treatment of VAT from MOF” (Caikuai [2016] No.22). The Financial Statement item of “Business Taxes and Surcharges” shall be adjusted to “Taxes and Surcharges”. Urban maintenance and construction tax, Education surcharges and local education surcharges, Property tax, Land use tax, Vehicles and vessel usage tax, stamp duty tax and other relevant taxes shall be recorded under this account.



## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 46 Financial expenses

	Note	The Group		The Company	
		2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Interest expenses from loans, bonds and payables		60,277,811.92	55,951,472.08	35,200,733.83	38,189,992.60
Including: Interest expenses from loans	(1)	54,684,721.18	52,399,061.95	31,544,022.15	31,657,310.93
Less: Borrowing costs capitalised		5,593,090.74	3,552,410.13	—	—
Net interest expenses		54,684,721.18	52,399,061.95	35,200,733.83	38,189,992.60
Less: Interest income		14,563,238.17	21,343,233.38	30,023,149.75	24,044,036.79
Exchange (gain)/losses		(3,003,336.75)	7,570,896.88	(3,020,154.53)	3,555,405.51
Amortisation of unrecognised financing charges		7,334,349.95	1,388,827.25	—	—
Bank charges		4,258,345.39	2,661,037.10	1,207,048.47	359,473.52
Others		6,828,165.83	5,369,344.02	1,373,248.98	237,784.52
Total		55,539,007.43	48,045,933.82	4,737,727.00	18,298,619.36

(1) Interest expenses related to bank loans of the Group due within 5 years were RMB 28,733,789.77(2016: RMB23,786,380.60). Other interest expenses were RMB 31,544,022.15 (2016: RMB32,165,091.48).

Interest expenses from loans of the Company in 2017 and 2016 are all related to the bank loans due within five years.

Borrowing costs capitalised of the Group in 2017 was RMB5,593,090.74 (2016: RMB3,552,410.13).

## 47 Impairment losses/(reversal)

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Accounts receivable	(5,763,731.88)	28,501,762.04	(4,427,227.22)	16,691,228.97
Prepayments	363.90	(605,869.24)	—	—
Other receivables	6,897,191.27	1,954,841.93	—	1,381,819.76
Long-term receivables	3,211,168.14	—	—	—
Inventories	3,636,097.82	1,000,430.00	—	—
Fixed assets	859,842.53	—	—	—
Construction in progress	3,934,508.02	—	—	—
Total	12,775,439.80	30,851,164.73	(4,427,227.22)	18,073,048.73

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 48 Investment income

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Income from investments in subsidiaries accounting for using cost method	—	—	115,058,190.23	40,979,011.04
Income from investments in associates accounting for using equity method	32,788,082.45	15,275,967.42	30,563,987.65	13,199,293.57
Income from investments in joint ventures accounting for using equity method	13,237,159.81	9,669,763.70	—	—
Gains on disposal of long-term equity investments	1,640,278.48	1,558,214.67	—	—
Others	(459,381.39)	112,030.34	986,676.26	1,014,357.24
Total	<u>47,206,139.35</u>	<u>26,615,976.13</u>	<u>146,608,854.14</u>	<u>55,192,661.85</u>
Including:				
Income from investments in associates accounting for using equity method attributable to shareholders of the parent company	<u>32,281,223.18</u>	<u>15,528,300.34</u>	<u>30,563,987.65</u>	<u>13,199,293.57</u>
Income from investments in joint ventures accounting for using equity method attributable to shareholders of the parent company	<u>12,974,500.00</u>	<u>9,417,430.78</u>	<u>—</u>	<u>—</u>

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

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**49 Government grants***The Group*

Other income

	<b>2017</b>
	<b>RMB</b>
Government grants related to assets	<b>56,984,320.63</b>
Government grants related to income	<b>113,915,918.40</b>
Total	<b>170,900,239.03</b>

Non-operating income

	<b>2017</b>	
	<b>The Group</b>	<b>The Company</b>
	<b>RMB</b>	<b>RMB</b>
Government grants related to income	<b>7,870,423.82</b>	<b>90,996.87</b>

## (1) Government grants related to assets

The government grants of the Group related to assets for 2017 are as follows:

<b>Items</b>	<b>Balance at the beginning of the year RMB</b>	<b>Additions during the year RMB</b>	<b>Recognition as other income RMB</b>	<b>Balance at the end of the year RMB</b>
Subsidies for				
vehicles replacement	10,973,137.53	1,713,108.42	3,571,941.21	9,114,304.74
Subsidies for station renovation	67,796,855.94	8,595,249.44	14,251,293.87	62,140,811.51
Tax subsidies for				
vehicles purchase	14,140,175.15	—	425,531.88	13,714,643.27
Subsidies for procurement of new				
energy vehicles	166,784,968.10	11,682,700.00	36,049,157.69	142,418,510.41
Software development subsidies	2,500,000.00	—	2,200,000.00	300,000.00
Other subsidies related to assets	5,220,469.46	—	486,395.98	4,734,073.48
Total	<u>267,415,606.18</u>	<u>21,991,057.86</u>	<u>56,984,320.63</u>	<u>232,422,343.41</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**49 Government grants** (Continued)*The Group (Continued)*

## (2) Government grants related to income

The government grants of the Group and the Company related to income for 2017 are as follows:

Effect on the line items of consolidated income statement and income statement

## (a) Offsetting against operation costs:

<b>Items</b>	<b>The Group RMB</b>
Fuel subsidies	109,067,387.85

## (b) Recognising as other income:

<b>Items</b>	<b>The Group RMB</b>
Subsidies for operation of bus lines	66,479,939.74
Subsidies for operation of new energy vehicles	36,093,338.47
Subsidies of elderly concessionary travel card	10,122,640.18
Other subsidies	1,220,000.01
Total	113,915,918.40

## (c) Recognising as non-operating income:

<b>Items</b>	<b>The Group RMB</b>	<b>The Company RMB</b>
Subsidies for vehicles disposals	4,061,600.00	—
Other subsidies	3,808,823.82	90,996.87
Total	7,870,423.82	90,996.87

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**50 Gains from asset disposals**

	<b>The Group</b>	
	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Gains from disposal of fixed assets	<b>255,021.30</b>	3,359,165.71
Gains/(losses) from disposal of other non-current assets	<b>3,289.57</b>	(47,729.85)
Total	<b>258,310.87</b>	3,311,435.86

**51 Non-operating income**

	Note V	<b>The Group</b>		<b>The Company</b>	
		<b>2017</b>	2016	<b>2017</b>	2016
		<b>RMB</b>	RMB	<b>RMB</b>	RMB
			(Restated)		
Total gains on disposal of non-current assets		<b>876,468.74</b>	5,924,583.72	—	—
Including:					
Disposal of fixed assets		<b>383,108.13</b>	3,272,599.36	—	—
Government grants	(1)	<b>7,870,423.82</b>	195,685,090.93	<b>90,996.87</b>	284,487.31
Compensations		<b>909,738.85</b>	1,692,900.98	—	49,400.00
Others		<b>12,159,323.51</b>	11,779,870.97	<b>470.09</b>	407.50
Total		<b>21,815,954.92</b>	215,082,446.60	<b>91,466.96</b>	334,294.81

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**51 Non-operating income** (Continued)

## (1) Government grants

The government grants of the Group and the Company recognised as non-operating income in 2017 is disclosed in Note 49.

2016

Items	The Group RMB	The Company RMB
Fuel subsidies	91,253,793.80	—
Subsidies for operation of bus lines	44,911,816.01	—
Subsidies for vehicles disposals	4,067,620.00	—
Subsidies of elderly concessionary travel card	6,326,903.32	—
Subsidies for station renovation	8,483,929.56	—
Subsidies of procurement of new energy vehicles	30,732,373.36	—
Subsidies for vehicles replacement	2,873,589.12	—
Other subsidies related to assets	6,264,896.11	—
Other subsidies related to income	770,169.65	284,487.31
Total	<u>195,685,090.93</u>	<u>284,487.31</u>

**52 Non-operating expenses**

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Losses on disposal of non-current assets	<b>4,909,104.97</b>	3,271,724.40	—	31,779.05
Road accident losses	<b>3,985,210.75</b>	5,281,772.00	—	—
Donations to third parties	<b>923,227.50</b>	882,013.61	<b>1,500.00</b>	—
Penalty expenses	<b>806,070.40</b>	3,368,032.43	—	—
Others	<b>1,404,849.34</b>	4,500,996.74	—	20,000.00
Total	<u><b>12,028,462.96</b></u>	<u>17,304,539.18</u>	<u><b>1,500.00</b></u>	<u>51,779.05</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**53 Income tax expenses***The Group*

(1) Income tax expenses

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Current tax expense for the year based on tax law and regulations	<b>172,152,108.65</b>	159,270,559.91
Including: Mainland China	<b>170,935,597.86</b>	158,644,492.73
Hong Kong	<b>1,216,510.79</b>	626,067.18
Tax filing differences	<b>(441,048.34)</b>	(2,218,154.84)
Changes in deferred tax	<b>5,984,168.22</b>	(7,510,469.98)
Total	<b>177,695,228.53</b>	149,541,935.09

(2) Reconciliation between income tax expense and accounting profit is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Profits before taxation	<b>704,976,813.26</b>	607,380,678.06
Expected income tax expense at tax rate of 25% (2016: 25%)	<b>176,244,203.32</b>	151,845,169.52
Effect of non-deductible expenses	<b>7,482,718.43</b>	6,407,411.77
Effect of non-taxable income	<b>(20,729,428.75)</b>	(13,628,512.92)
Effect of unrecognised deductible temporary differences and tax losses	<b>26,255,602.83</b>	17,255,205.16
Effect of utilisation of tax losses in previous periods	<b>(9,809,746.41)</b>	(9,790,771.32)
Effect of different tax rates applied by certain subsidiaries	<b>(1,307,072.55)</b>	(328,412.28)
Effect of tax filing differences	<b>(441,048.34)</b>	(2,218,154.84)
Total	<b>177,695,228.53</b>	149,541,935.09

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**53 Income tax expenses** (Continued)*The Company*

(1) Income tax expenses

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Current tax expense for the year based on tax law and regulations	<b>34,173,247.88</b>	22,193,389.23
Tax filing differences	<b>391,709.12</b>	(2,780,209.34)
Changes in deferred tax	<b>(141,526.98)</b>	(4,518,262.18)
Total	<b><u>34,423,430.02</u></b>	<u>14,894,917.71</u>

(2) Reconciliation between income tax expense and accounting profit is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Profits before taxation	<b>282,047,182.64</b>	121,089,728.14
Expected income tax expense at tax rate of 25% (2016: 25%)	<b>70,511,795.66</b>	30,272,432.04
Effect of non-deductible expenses	<b>172,138.78</b>	414,688.04
Effect of non-taxable income	<b>(36,652,213.54)</b>	(13,011,993.03)
Effect of tax filing differences	<b>391,709.12</b>	(2,780,209.34)
Total	<b><u>34,423,430.02</u></b>	<u>14,894,917.71</u>

The details of the Company and its subsidiaries' applicable income tax rates are set out in Note III.



**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**54 Earnings per share***(1) Basic earnings per share*

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Net profit attributable to shareholders of the Company (Note)	<b>417,279,825.51</b>	335,154,085.75
Weighted average number of ordinary shares in issue during the year	<b>799,847,800.00</b>	760,420,800.00
Basic earnings per share (RMB/share)	<b>0.52</b>	0.44

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

	<b>2017</b>	2016
	<b>Shares</b>	Shares
Issued ordinary shares at the beginning of the year	<b>799,847,800.00</b>	626,462,800.00
Effect of conversion of PSCS	—	133,958,000.00
Issued ordinary shares at the end of the year	<b>799,847,800.00</b>	760,420,800.00

Note: As described in Note IV 5, through business combination under common control, the Group acquired 100% equity of Yangjiang Vehicles Transportation Group in 2017. According to Note II 7(b), the Group made retrospective adjustments to the comparative figures of the consolidated financial statements. The restated net profit attributable to shareholders of the Company in 2016 has included the net profit of Yangjiang Vehicles Transportation Group attributable to shareholders of the Company.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**54 Earnings per share** (Continued)(2) *Diluted earnings per share*

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue (diluted) (as if all PSCS has been converted into ordinary shares at the beginning of 2016). The calculation is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Net profit attributable to the shareholders of the Company (54(1) Note)	<b>417,279,825.51</b>	335,154,085.75
Weighted average number of ordinary shares in issue (diluted)	<b>799,847,800.00</b>	799,847,800.00
Diluted earnings per share (RMB/share)	<b>0.52</b>	0.42

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

	<b>2017</b>	2016
	<b>Shares</b>	Shares
Issued ordinary shares at the end of the year	<b>799,847,800.00</b>	760,420,800.00
Diluted adjustment: Effect of PSCS	—	39,427,000.00
Issued ordinary shares at the end of the year (diluted)	<b>799,847,800.00</b>	799,847,800.00

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 55 Other comprehensive income, net of tax

The Group

	Balance at the beginning of the year RMB	Charge to other comprehensive income during the year RMB	Transfer to profit or loss during the year RMB	Balance at the end of the year RMB
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plan liability				
(1) Attributable to shareholders of the Company	(3,877,510.69)	238,499.48	—	(3,639,011.21)
(2) Attributable to non-controlling interests	<u>(2,401,502.95)</u>	<u>147,712.61</u>	<u>—</u>	<u>(2,253,790.34)</u>
Subtotal	<u>(6,279,013.64)</u>	<u>386,212.09</u>	<u>—</u>	<u>(5,892,801.55)</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements denominated in foreign currencies				
(1) Attributable to shareholders of the Company	(18,046,127.63)	(12,729,700.90)	—	(30,775,828.53)
(2) Attributable to non-controlling interests	<u>(11,562,257.81)</u>	<u>(7,243,484.59)</u>	<u>—</u>	<u>(18,805,742.40)</u>
Subtotal	<u>(29,608,385.44)</u>	<u>(19,973,185.49)</u>	<u>—</u>	<u>(49,581,570.93)</u>
Total	<u>(35,887,399.08)</u>	<u>(19,586,973.40)</u>	<u>—</u>	<u>(55,474,372.48)</u>

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**56 Supplement to income statement**

Expenses are analysed by their nature as follows:

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Operating income	<b>7,248,492,939.72</b>	7,321,371,045.36	<b>1,304,519,943.21</b>	843,286,800.24
Less: Changes in finished goods	<b>2,894,775,961.89</b>	3,528,194,090.88	<b>1,016,889,535.06</b>	597,777,585.91
Employee benefits expenses	<b>1,692,547,949.34</b>	1,624,778,032.26	<b>45,777,124.16</b>	43,138,117.71
Depreciation	<b>442,809,532.51</b>	438,991,311.46	<b>874,293.23</b>	962,079.70
Raw materials used	<b>260,784,084.84</b>	202,622,175.15	—	—
Rental expenses	<b>221,778,328.54</b>	166,666,359.41	<b>7,453,257.14</b>	2,828,833.19
Amortisation	<b>75,462,780.88</b>	69,512,717.36	<b>20,050,759.19</b>	21,109,898.26
Financial expenses	<b>55,539,007.43</b>	48,045,933.82	<b>4,737,727.00</b>	18,298,619.36
Impairment losses/(reversal)	<b>12,775,439.80</b>	30,851,164.73	<b>(4,427,227.22)</b>	18,073,048.73
Audit fees	<b>6,280,000.00</b>	6,280,000.00	<b>3,239,000.00</b>	4,093,622.64
Investment income	<b>(47,206,139.35)</b>	(26,615,976.13)	<b>(146,608,854.14)</b>	(55,192,661.85)
Other income	<b>(170,900,239.03)</b>	—	—	—
Other expenses	<b>1,108,656,911.57</b>	822,442,465.78	<b>74,577,113.11</b>	71,390,444.21
Operating profit	<b>695,189,321.30</b>	409,602,770.64	<b>281,957,215.68</b>	120,807,212.38

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**57 Supplement to cash flow statement**

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

The Group

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Net profit	<b>527,281,584.73</b>	457,838,742.97
Add: Impairment provisions for assets	<b>12,775,439.80</b>	30,851,164.73
Depreciation of fixed assets	<b>437,479,423.13</b>	433,162,710.86
Depreciation of investment properties	<b>5,330,109.38</b>	5,828,600.60
Amortisation of intangible assets	<b>62,928,803.35</b>	57,859,949.62
Amortisation of long-term deferred expenses	<b>12,533,977.53</b>	11,652,767.74
Net losses/(gains) on disposal of fixed assets, intangible assets, and other long-term assets	<b>3,774,325.36</b>	(5,964,295.18)
Financial expenses	<b>69,603,319.31</b>	45,628,605.47
Investment income	<b>(47,206,139.35)</b>	(26,815,976.13)
Decrease/(increase) in deferred tax assets	<b>10,383,628.67</b>	(6,910,419.03)
Decrease in deferred tax liabilities	<b>(4,289,705.34)</b>	(668,079.85)
Increase in inventories	<b>(55,425,908.16)</b>	(42,900,844.70)
Increase in operating receivables	<b>(479,028,256.29)</b>	(81,858,901.36)
Increase/(decrease) in operating payables	<b>120,641,516.99</b>	(151,178,999.47)
Increase in special reserve	<b>3,281,790.09</b>	2,867,975.17
(Increase) /decrease in restricted cash	<b>(1,935,818.18)</b>	631,079.93
Decrease in long-term receivables	<b>5,385,548.54</b>	2,250,535.07
Increase/(decrease) in long-term payables	<b>2,211,642.16</b>	(3,085,032.01)
Net cash inflow from operating activities	<b>685,725,281.72</b>	729,189,584.43

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**57 Supplement to cash flow statement** (Continued)(a) *Reconciliation of net profit to cash flows from operating activities:* (Continued)

The Company

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Net profit	<b>247,623,752.62</b>	106,194,810.43
Add: Impairment (reversal)/provisions for assets	<b>(4,427,227.22)</b>	18,073,048.73
Depreciation of fixed assets	<b>874,293.23</b>	962,079.70
Amortisation of intangible assets	<b>17,616,794.17</b>	18,318,409.27
Amortisation of long-term deferred expenses	<b>2,433,965.02</b>	2,791,488.99
Net losses on disposal of fixed assets, intangible assets, and other long-term assets	—	31,779.05
Financial expenses	<b>12,894,673.07</b>	18,275,756.25
Investment income	<b>(146,608,854.14)</b>	(55,192,661.85)
Increase in deferred tax assets	<b>(141,526.98)</b>	(4,518,262.18)
(Increase) /decrease in inventories	<b>(12,171,595.31)</b>	11,727,720.70
Increase in operating receivables	<b>(245,262,858.86)</b>	(1,313,889.20)
Decrease in operating payables	<b>239,691,083.67</b>	44,224,529.00
Net cash inflow from operating activities	<b>112,522,499.27</b>	159,574,808.89

(b) *Change in cash and cash equivalents:*

The Group

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
Cash and cash equivalents at the end of the year (Note)	<b>1,801,856,292.42</b>	1,600,195,128.34
Less: Cash and cash equivalents at the beginning of the year (Note)	<b>1,600,195,128.34</b>	1,927,842,486.04
Net increase/(decrease) in cash and cash equivalents	<b>201,661,164.08</b>	(327,647,357.70)

Note: As at 31 December 2017, the balance of cash included restricted cash such as security deposits for letter of guarantee, property maintenance funds and tourism quality deposits in an aggregate amount of RMB 11,659,126.90 (31 December 2016: RMB 9,723,308.72), which was deducted from the balance of cash and cash equivalents.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**57 Supplement to cash flow statement** (Continued)(b) *Change in cash and cash equivalents: (Continued)*

The Company

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Cash and cash equivalents at the end of the year	<b>929,531,026.45</b>	1,109,152,535.46
Less: Cash and cash equivalents at the beginning of the year	<b>1,109,152,535.46</b>	1,381,281,009.40
Net decrease in cash and cash equivalents	<b>(179,621,509.01)</b>	(272,128,473.94)

(c) *Details of cash and cash equivalents*

The Group

	<b>2017</b>	2016
	<b>RMB</b>	RMB
(a) Cash at bank and on hand		
– Cash on hand	<b>15,707,115.66</b>	15,689,291.09
– Bank deposits available on demand	<b>1,786,149,176.76</b>	1,584,505,837.25
– Cash with restricted usage	<b>11,659,126.90</b>	9,723,308.72
(b) Closing balance of cash and cash equivalents	<b>1,813,515,419.32</b>	1,609,918,437.06
Less: Cash with restricted usage	<b>11,659,126.90</b>	9,723,308.72
(c) Closing balance of cash and cash equivalents available on demand	<b>1,801,856,292.42</b>	1,600,195,128.34

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**57 Supplement to cash flow statement** (Continued)(c) *Details of cash and cash equivalents: (Continued)*

The Company

	<b>2017</b>	2016
	<b>RMB</b>	RMB
(a) Cash at bank and on hand		
– Cash on hand	<b>142.39</b>	507.69
– Bank deposits available on demand	<b>929,530,884.06</b>	1,109,152,027.77
(b) Closing balance of cash and cash equivalents	<b>929,531,026.45</b>	1,109,152,535.46
(c) Closing balance of cash and cash equivalents available on demand	<b>929,531,026.45</b>	1,109,152,535.46

(d) *Information on acquisition of subsidiaries not under common control during the year:*

The Group

	RMB
Consideration of acquisition	20,850,000.00
Cash and cash equivalents paid for acquisition of subsidiaries	16,620,000.00
Less: Cash and cash equivalents held by subsidiaries	17,187.64
Net cash outflow for the acquisition	16,602,812.36
Non-cash assets and liabilities held by the acquired subsidiaries	
Current assets	1,154,330.69
Non-current assets	4,864,194.42
Current liabilities	3,388,859.83
Non-current liabilities	—



**V. NOTES TO THE FINANCIAL STATEMENTS** *(Continued)***57 Supplement to cash flow statement** *(Continued)*

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

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

The cash pool accounts centrally managed and daily collected or allocated changes with reference to the account balance of the Group and the Company. Due to the frequent transactions, the Group and the Company only disclose the net cash outflow or inflow of the cash centrally managed during the year.

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 58 Segment reporting

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group were classified into three segments, including travel services, modern logistics and resources development. 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

	2017				
	Travel services	Modern logistics	Resource development	Inter-segment eliminations	Total
	RMB	RMB	RMB	RMB	RMB
Operating income					
Operating income from external customers	4,383,784,604.55	2,558,454,821.30	306,253,513.87	—	7,248,492,939.72
Inter-segment operating income	3,761,550.61	—	10,060,101.49	(13,821,652.10)	—
Total segment operating income	4,387,546,155.16	2,558,454,821.30	316,313,615.36	(13,821,652.10)	7,248,492,939.72
Operating costs	3,476,707,688.80	2,326,853,317.26	95,987,398.61	(537,671.85)	5,899,010,732.82
Interest in the profit or loss of associates and joint ventures	14,810,530.38	—	31,214,711.88	—	46,025,242.26
Impairment losses	17,397,265.02	(4,627,227.22)	5,402.00	—	12,775,439.80
Depreciation and amortisation	478,509,814.65	15,582,304.21	24,948,727.94	(768,533.41)	518,272,313.39
Profit before income tax	425,078,005.66	152,766,713.71	244,669,384.53	(117,537,290.64)	704,976,813.26
Income tax expenses	114,451,487.99	36,959,354.60	25,466,868.37	817,517.57	177,695,228.53
Net profit	310,626,517.67	115,807,359.11	219,202,516.16	(118,354,808.21)	527,281,584.73
Total assets	6,719,704,630.71	2,308,397,745.71	2,888,972,771.93	(3,103,001,298.69)	8,814,073,849.66
Total liabilities	3,775,604,577.75	2,172,758,025.26	1,159,438,771.28	(1,887,143,401.05)	5,220,657,973.24
Other important non-cash items:					
– Long-term equity investments in associates and joint ventures	273,073,798.81	—	58,939,986.19	—	332,013,785.00
– The amounts of increase/ (decrease) of non-current assets other than long-term equity investments	392,166,138.11	(5,092,249.78)	(8,298,107.97)	6,350,421.62	385,126,201.98

## V. NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 58 Segment reporting (Continued)

## (1) Segment reporting (Continued)

			2016		
	Travel services	Modern logistics	Resource	Inter-segment	Total
	RMB	RMB	development	eliminations	RMB
	(Restated)		RMB	RMB	(Restated)
Operating income					
Operating income from external customers	4,016,826,547.79	3,026,368,373.06	278,176,124.51	—	7,321,371,045.36
Inter-segment operating income	4,609,734.85	—	8,877,360.62	(13,487,095.47)	—
Total segment operating income	4,021,436,282.64	3,026,368,373.06	287,053,485.13	(13,487,095.47)	7,321,371,045.36
Operating costs	3,102,066,931.22	2,863,794,818.18	80,711,164.73	(6,383,612.06)	6,040,189,302.07
Interest in the profit or loss of associates and joint ventures	11,317,607.25	—	13,628,123.87	—	24,945,731.12
Impairment losses	2,337,310.71	28,513,854.02	—	—	30,851,164.73
Depreciation and amortisation	463,605,669.74	16,264,130.19	29,638,684.43	(1,004,455.54)	508,504,028.82
Profit before income tax	468,258,662.79	49,548,852.30	132,088,356.99	(42,515,194.02)	607,380,678.06
Income tax expenses	118,375,916.86	13,183,030.31	17,204,373.41	778,614.51	149,541,935.09
Net profit	349,882,745.93	36,365,821.99	114,883,983.58	(43,293,808.53)	457,838,742.97
Total assets	6,297,581,790.47	1,864,499,513.78	3,063,292,940.92	(3,530,221,818.95)	7,695,152,426.22
Total liabilities	3,428,910,620.91	1,743,472,357.99	1,451,612,310.65	(2,313,698,054.33)	4,310,297,235.22
Other important non-cash items:					
– Long-term equity investments in associates and joint ventures	170,284,892.96	—	67,260,480.80	—	237,545,373.76
– The amounts of increase/ (decrease) of non-current assets other than long-term equity investments	432,644,394.23	(12,607,726.22)	(13,253,266.08)	(15,954,844.45)	390,828,557.48

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**58 Segment reporting** (Continued)(2) *Geographic information*

The following table sets out information about the geographical location of the Group's operating income from external customers and the Group's non-current assets (excluding financial instruments, deferred tax assets, same as below). The geographical information is based on the location of customers receiving services or goods. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates and joint ventures.

	Operating income from external customers		Non-current assets	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB (Restated)
China				
Including: Mainland China	<b>7,007,016,436.84</b>	7,086,360,457.77	<b>4,731,063,628.36</b>	4,303,901,931.67
Hong Kong	<b>241,476,502.88</b>	235,010,587.59	<b>186,827,766.71</b>	171,290,521.94
Total	<b>7,248,492,939.72</b>	7,321,371,045.36	<b>4,917,891,395.07</b>	4,475,192,453.61

(3) *Major customers*

Operating income from each individual customer of the Group is below 10% of the Group's total operating income in 2017 and 2016.

**V. NOTES TO THE FINANCIAL STATEMENTS** (Continued)**59 Net current assets**

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Current assets	<b>3,711,629,546.78</b>	3,025,023,436.13	<b>2,131,036,215.03</b>	2,048,183,081.65
Less: Current liabilities	<b>3,119,325,344.37</b>	2,449,246,112.27	<b>1,403,427,386.64</b>	1,451,152,994.59
Net current assets	<b>592,304,202.41</b>	575,777,323.86	<b>727,608,828.39</b>	597,030,087.06

**60 Total assets less current liabilities**

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Total assets	<b>8,814,073,849.66</b>	7,695,152,426.22	<b>3,640,768,094.84</b>	3,543,710,142.06
Less: Current liabilities	<b>3,119,325,344.37</b>	2,449,246,112.27	<b>1,403,427,386.64</b>	1,451,152,994.59
Total assets less current liabilities	<b>5,694,748,505.29</b>	5,245,906,313.95	<b>2,237,340,708.20</b>	2,092,557,147.47

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1 Related parties where a controlling relationship exists:

The Company's ultimate holding company is GCGC.

### 2 Information on the subsidiaries of the Company:

Except for the subsidiaries newly established and deregistered during the year as disclosed in Note IV to the financial statements, there is no significant change on the information of other subsidiaries.

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

	<b>Related party relationships</b>
Roadnet Innovalues Media	Being a subsidiary of the Company before 30 September 2017, and become joint venture of a subsidiary of the Company from 1 October 2017
Guangdong Province Bus Terminal Co., Ltd.	Joint venture of a subsidiary of the Company
Zhong Yue Top-E Energy	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 Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Associate of a subsidiary of the Company
Guangzhou Tianhe Coach Terminal Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Automobile Passenger Traffic Center Co., Ltd.	Associate of a subsidiary of the Company
Jiangmen Guangjiang Expressway Passenger Co., Ltd.	Associate of a subsidiary of the Company
Qingyuan Zhongguan Development Co., Ltd.	Associate of a subsidiary of the Company
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Wangshangfei Logistics Technology Co., Ltd.	Associate of a subsidiary of the Company
Southern United Assets and Equity Exchange Co., Ltd.	Associate of the Company

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**3 The related parties which have transactions with the Group while no controlling relationship exists:** (Continued)

	<b>Related party relationships</b>
Guangdong Provincial Highway Construction Company Limited	Controlled by the ultimate holding company
Guangdong Province Road & Bridge Construction Development Company Limited	Controlled by the ultimate holding company
Zhaoqing City Guang-He Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Oriental Thought Technology Company Limited	Controlled by the ultimate holding company
Guangdong Nan Yue Logistics International Services Company Limited	Controlled by the ultimate holding company
Guangdong Xinyue Communications Investment Company Limited	Controlled by the ultimate holding company
Meizhou Yueyun Vehicles Transportation Company Limited (“Meizhou Yueyun”)	Controlled by the ultimate holding company
Yueyun Investment Management	Controlled by the ultimate holding company
Guangdong Bo-Da Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guangle Expressway Company Limited	Controlled by the ultimate holding company
Guangdong He-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Jiangzhong Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Kai Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Litong Properties Investment Company Limited	Controlled by the ultimate holding company
Guangdong Maozhan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Meihe Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Shanfen Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Freeway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Changda Highway Engineering Company Limited	Controlled by the ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited	Controlled by the ultimate holding company
Guangdong Yang-Mao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yu-Zhan Expressway Company Limited	Controlled by the ultimate holding company

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

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

	<b>Related party relationships</b>
Guangdong Yue Dong Freeway Industry Development Company Limited	Controlled by the ultimate holding company
Guangdong Yue-Gan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yun-Wu Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Zhaoyang Expressway Company Limited	Controlled by the ultimate holding company
Guangfo Expressway Company Limited	Controlled by the ultimate holding company
Guang-Shen-Zhu Expressway Company Limited	Controlled by the ultimate holding company
Guangzhou Newsoft Technology Company Limited	Controlled by the ultimate holding company
Guangzhou Xin Yue Asphalt Company Limited	Controlled by the ultimate holding company
Heyuan He-Long Expressway Company Limited	Controlled by the ultimate holding company
Jingzhu Expressway Guangzhu Section Company Limited	Controlled by the ultimate holding company
Weisheng Transportation Enterprises Company Limited	Controlled by the ultimate holding company
Xinyue Company Limited	Controlled by the ultimate holding company
Yunfu City Guangyun Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Western Coastal Expressway Operation Company Limited	Controlled by the ultimate holding company
Guangdong Western Shen-Shan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Gao-Da Property Development Company Limited	Controlled by the ultimate holding company
Guangdong Province Gongbei Vehicles Transportation Company Limited	Controlled by the ultimate holding company
Kee Kwan Motor Road Company Limited	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Xinhui Section Company Limited	Controlled by the ultimate holding company
Weisheng Freight Company Limited	Controlled by the ultimate holding company
Guangdong High Science and Technology Investment Company Limited	Controlled by the ultimate holding company
Guangdong Guanghui Expressway Company Limited	Controlled by the ultimate holding company



**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**3 The related parties which have transactions with the Group while no controlling relationship exists:** (Continued)

	<b>Related party relationships</b>
Guangdong Lulutong Company Limited	Controlled by the ultimate holding company
Guangdong Luo-Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Fokai Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Province Expressway Construction Materials Supply Station	Controlled by the ultimate holding company
Kwong Fat Transport Company Limited	Controlled by the ultimate holding company
Guangdong Ping-Xing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong HuaLu Transport Technology Company Limited	Controlled by the ultimate holding company
Guangdong Chao-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Er-Guang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yuejia Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Baomao Expressway Company Limited	Controlled by the ultimate holding company
Kee Kwan Travel Tour Transportation HongKong Company Limited	Controlled by the ultimate holding company
Guangdong Communication Enterprise Investment Company Limited	Controlled by the ultimate holding company
Guangdong Ninghua Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Traffic Development Company Limited	Controlled by the ultimate holding company
Dongguan Weisheng International Logistics Company Limited	Controlled by the ultimate holding company
Xingning Automobile Transportation Company Limited	Controlled by the ultimate holding company
Weisheng Bus Company Limited	Controlled by the ultimate holding Company
Guangdong Kee Kwan Transportation Company Limited	Controlled by the ultimate holding Company
Guangdong Road and Bridge Electronics Company Limited	Controlled by the ultimate holding Company
Guangdong Guangfozhao Expressway Company Limited	Controlled by the ultimate holding Company

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

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

	<b>Related party relationships</b>
GCG Finance	Controlled by the ultimate holding Company
Chaozhou City Yueyun Motor Transportation Co., Ltd.	Controlled by the ultimate holding Company
Guangdong Chaoshan Circle Line Expressway Company Limited	Controlled by the ultimate holding Company
Guangdong Luda Expressway Company Limited	Controlled by the ultimate holding Company
Meizhou Jiangnan Automobile Passenger Traffic Co., Ltd.	Controlled by the ultimate holding Company
Guangdong Province Yue-zhan High Speed Passenger Traffic Co., Ltd.	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 Guangzhou North Section Company Limited	Associate of a subsidiary of the ultimate holding company
Foshan Guang-San Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Guangdong Shenzhen-Shantou (Eastern Section) Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Jiangmen City Jiang-He Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Shenzhen Huiyan Expressway Company Limited	Associate of a subsidiary of the ultimate holding company
Hui-Shen (Yantian) Expressway Huizhou Company Limited	Joint venture of a subsidiary of the ultimate holding company
Zhaoqing Yuezhao Expressway Company Limited	Joint venture of a subsidiary of the ultimate holding company
Guangdong Guangzhu Expressway West Section Company Limited	Joint venture of a subsidiary of the ultimate holding company

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year***The Group*

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

- # The transactions with connected persons constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- β The transactions with connected persons constitute connected transactions as defined in Chapter 14A of the Listing Rules.
- (a) Sales, rendering of services and purchases, receipt of services

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>(1) Material logistics service income</b>		
Guangdong Provincial Changda Highway Engineering Company Limited#	<b>281,245,234.07</b>	615,048,471.83
Guangzhou Xin Yue Asphalt Company Limited#	<b>17,559,648.13</b>	92,441,534.97
Guangdong Gaintop Highway Engineering Construction Group Company Limited#	<b>554,693.07</b>	101,979,703.60
Total	<b>299,359,575.44</b>	809,469,710.40

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. GCGC and its subsidiaries, joint ventures and associates, acting as owners, withheld contractors' payment for material purchase and remitted to the Group directly when they paid for project contracting to contractors.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

During the process of the material logistics service, the transaction with related parties as contractors are disclosed as above, the amount due from GCGC and its subsidiaries generated from the above withholding transactions for the Group refer to Note VI. 4 (p) "Amounts due from/to related parties".

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>(2) Expressway service operation income</b>		
Guangdong Provincial Changda Highway Engineering Company Limited <sup>#</sup>	<b>3,888,903.16</b>	1,226,172.00
Guang-Shen-Zhu Expressway Company Limited <sup>#</sup>	<b>952,570.92</b>	1,503,532.90
Guangdong Provincial Freeway Company Limited <sup>#</sup>	<b>839,124.52</b>	—
Guangdong Guangzhu Expressway West Section Company Limited <sup>#</sup>	<b>47,094.34</b>	789,138.88
Guangdong Er-Guang Expressway Company Limited <sup>#</sup>	—	501,531.53
Others <sup>#</sup>	<b>448,798.31</b>	186,226.42
Total	<b>6,176,491.25</b>	4,206,601.73
<b>(3) Cross-border transportation services income</b>		
Express Cross-Border Coach Management Company Limited	<b>26,617,980.63</b>	24,760,000.31

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>(4) Repairing income</b>		
Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	<b>393,047.94</b>	325,411.74
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	<b>598.29</b>	13,954.69
Weisheng Transportation Enterprises Company Limited <sup>#</sup>	—	5,936.76
Others <sup>#</sup>	<b>4,795.73</b>	38,850.43
Total	<b>398,441.96</b>	384,153.62
<b>(5) Rendering of other services income</b>		
Shenzhen Yueyun <sup>#</sup>	<b>672,625.94</b>	860,136.08
Jingzhu Expressway Guangzhu Section Company Limited <sup>#</sup>	<b>669,955.37</b>	809,514.08
Guangdong Humen Bridge Company Limited <sup>#</sup>	<b>442,750.44</b>	666,006.79
Guangdong Provincial Freeway Company Limited <sup>#</sup>	<b>205,886.10</b>	136,571.83
Roadnet Innovalues Media	<b>129,874.22</b>	—
Dongguan Weisheng International Logistics Company Limited <sup>#</sup>	<b>33,974.36</b>	—
Others	<b>182,048.78</b>	152,010.20
Total	<b>2,337,115.21</b>	2,624,238.98

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>(6) Road rescue service income</b>		
Guangdong Province Road & Bridge Construction Development Company Limited <sup>#</sup>	<b>7,825,882.08</b>	5,738,980.31
Guangdong Provincial Freeway Company Limited <sup>#</sup>	<b>5,879,207.55</b>	1,859,000.04
Guangdong Guangle Expressway Company Limited <sup>#</sup>	<b>4,202,830.19</b>	3,082,075.44
Guangdong Chao-Hui Expressway Company Limited <sup>#</sup>	<b>3,491,037.74</b>	651,251.88
Guangdong Er-Guang Expressway Company Limited <sup>#</sup>	<b>2,716,981.13</b>	1,983,452.88
Guangdong Guangfozhao Expressway Company Limited <sup>#</sup>	<b>2,474,787.74</b>	—
Guangdong Yun-Wu Expressway Company Limited <sup>#</sup>	<b>2,317,924.53</b>	1,699,811.40
Guangdong Bo-Da Expressway Company Limited <sup>#</sup>	<b>2,108,646.23</b>	1,539,170.79
Guangdong Western Shen-Shan Expressway Company Limited <sup>#</sup>	<b>2,073,834.91</b>	2,561,910.08
Guangdong Meihe Expressway Company Limited <sup>#</sup>	<b>2,041,556.60</b>	1,488,650.99
Guangdong Provincial Highway Construction Company Limited <sup>#</sup>	<b>1,958,490.57</b>	—
Guangdong Kai Yang Expressway Company Limited <sup>#</sup>	<b>1,783,018.87</b>	1,307,547.17
Guangdong Baomao Expressway Company Limited <sup>#</sup>	<b>1,730,660.38</b>	1,269,150.96
Guangdong ZhaoYang Expressway Company Limited <sup>#</sup>	<b>1,680,495.28</b>	1,232,363.16
Zhaoqing City Guang-He Expressway Company Limited <sup>#</sup>	<b>1,641,509.43</b>	1,203,773.64

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	2017 RMB	2016 RMB
<b>(6) Road rescue service income</b> (Continued)		
Guangdong Ping-Xing Expressway Company Limited#	1,394,490.57	1,022,626.34
Guangdong Yue Dong Freeway Industry Development Company Limited#	1,223,306.60	897,091.51
Guangdong Taishan Coastal Expressway Company Limited#	1,220,929.25	895,348.08
Guangdong Luo-Yang Expressway Company Limited#	1,178,462.26	—
Guangdong Hehui Expressway Company Limited#	1,139,150.94	835,377.35
Guangdong Yangmao Expressway Company Limited#	1,128,679.25	827,698.08
Others#	4,010,777.13	4,128,383.88
Total	<u>55,222,659.23</u>	<u>34,223,663.98</u>
<b>(7) Rental income</b>		
Express Cross-Border Coach Management Company Limited	1,300,237.59	1,324,177.76
Guangdong Guangye Yueyun Natural Gas Company Limited	313,943.78	79,044.39
Guangdong Xinyue Communications Investment Company Limited#	—	293,961.92
Others	39,735.84	139,292.48
Total	<u>1,653,917.21</u>	<u>1,836,476.55</u>

The above transactions under categories (2) - (7) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	2017	2016
	RMB	RMB
<b>(8) Purchase of materials</b>		
Guangzhou Xin Yue Company Limited#	<b>284,470,225.28</b>	758,248,386.79
Guangzhou Xin Yue Asphalt Company Limited#	<b>82,631,937.53</b>	78,618,874.32
Guangdong Guangye Yueyun Natural Gas Company Limited	<b>52,794,300.02</b>	53,745,262.60
Total	<b>419,896,462.83</b>	890,612,523.71

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.

	2017	2016
	RMB	RMB
<b>(9) Expressway service zones operation expenses</b>		
Guang-Shen-Zhu Expressway Company Limited#	<b>16,485,590.02</b>	19,015,796.60
Guangdong Guangzhu Expressway West Section Company Limited#	<b>13,741,278.41</b>	14,546,807.41
Guangdong Provincial Freeway Company Limited#	<b>12,394,421.50</b>	3,680,469.41
Guangdong Provincial Highway Construction Company Limited#	<b>9,419,597.56</b>	3,072,711.66
Guangdong Guangle Expressway Company Limited#	<b>8,890,451.74</b>	9,278,063.00
Guangdong Province Road & Bridge Construction Development Company Limited#	<b>8,173,457.35</b>	7,993,718.45
Guangdong Yue-Gan Expressway Company Limited#	<b>7,736,150.36</b>	8,705,179.73
Guangdong Guangfozhao Expressway Company Limited#	<b>7,068,786.58</b>	—
Guangdong Kai Yang Expressway Company Limited#	<b>6,838,758.50</b>	6,290,697.79



**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>(9) Expressway service zones operation expenses</b>		
<i>(Continued)</i>		
Guangdong Chao-Hui Expressway Company Limited <sup>#</sup>	<b>5,161,031.73</b>	965,013.11
Guangdong Provincial Fokai Expressway Company Limited <sup>#</sup>	<b>4,248,385.63</b>	2,018,000.00
Guangdong Yun-Wu Expressway Company Limited <sup>#</sup>	<b>4,190,476.20</b>	4,458,748.04
Guangdong Meihe Expressway Company Limited <sup>#</sup>	<b>3,645,114.15</b>	3,883,755.78
Guangdong Yang-Mao Expressway Company Limited <sup>#</sup>	<b>3,829,793.59</b>	3,814,928.32
Guangdong Bo-Da Expressway Company Limited <sup>#</sup>	<b>3,608,874.22</b>	3,574,287.91
Guangdong Shanfen Expressway Company Limited <sup>#</sup>	<b>3,190,921.54</b>	2,026,402.67
Guangdong Jiangzhong Expressway Company Limited <sup>#</sup>	<b>2,984,789.21</b>	2,976,824.64
Guangdong Maozhan Expressway Company Limited <sup>#</sup>	<b>2,788,539.89</b>	2,876,931.20
Guangfo Expressway Company Limited <sup>#</sup>	<b>2,408,429.17</b>	2,439,985.30
Guangdong Ping-Xing Expressway Company Limited <sup>#</sup>	<b>2,474,273.10</b>	1,264,900.00
Guangdong Yu-Zhan Expressway Company Limited <sup>#</sup>	<b>2,370,903.59</b>	2,582,430.99
Guangdong Er-Guang Expressway Company Limited <sup>#</sup>	<b>2,347,589.65</b>	2,464,969.13
Guangdong Baomao Expressway Company Limited <sup>#</sup>	<b>2,113,372.56</b>	1,848,271.50

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>(9) Expressway service zones operation expenses</b>		
<i>(Continued)</i>		
Guangdong Zhaoyang Expressway Company Limited <sup>#</sup>	<b>1,935,503.52</b>	2,285,586.59
Jingzhu Expressway Guangzhu Section Company Limited <sup>#</sup>	<b>1,799,600.00</b>	1,549,332.07
Guangdong Luo-Yang Expressway Company Limited <sup>#</sup>	<b>1,707,223.95</b>	298,764.18
Yunfu City Guangyun Expressway Company Limited <sup>#</sup>	<b>1,495,320.68</b>	1,202,359.40
Heyuan He-Long Expressway Company Limited <sup>#</sup>	<b>1,402,838.85</b>	1,467,602.56
Guangdong Western Coastal Expressway Zhuhai Section Company Limited <sup>#</sup>	<b>1,376,573.62</b>	1,553,500.94
Zhaoqing Yuezhao Expressway Company Limited <sup>#</sup>	<b>1,263,828.97</b>	1,252,751.58
Guangdong He-Hui Expressway Company Limited <sup>#</sup>	<b>1,097,039.93</b>	1,166,750.67
Guangdong Yue Dong Freeway Industry Development Company Limited <sup>#</sup>	<b>831,622.32</b>	722,470.98
Guangdong Western Shen-Shan Expressway Company Limited <sup>#</sup>	<b>508,283.05</b>	4,003,136.59
Others <sup>#</sup>	<b>2,992,743.42</b>	2,051,469.32
Total	<b>152,521,564.56</b>	127,332,617.52

The above expressway service zones operation transactions have been conducted in accordance with the service contracts between the relevant companies within the Group and the above related parties, based on the Priority Right of Operation Agreement signed between the Company and GCGC on 15 September 2005. Transaction price was negotiated between both parties.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

	<b>2017</b>	2016
	<b>RMB</b>	RMB
		(Restated)
<b>(10) Rental expenses</b>		
Yueyun Investment Management <sup>#</sup>	<b>6,221,711.64</b>	1,701,816.00
Guang-Shen-Zhu Expressway Company Limited <sup>#</sup>	<b>615,613.32</b>	615,614.88
Others	—	1,149,874.27
Total	<b><u>6,837,324.96</u></b>	<u>3,467,305.15</u>
<b>(11) Repair and maintenance charges</b>		
Guangdong Humen Bridge Company Limited <sup>#</sup>	<b>2,537,082.82</b>	666,298.00
Guangdong Hualu Transportation Technology Company Limited <sup>#</sup>	<b>1,046,927.00</b>	601,435.05
Guangdong Gaintop Highway Engineering Construction Group Company Limited <sup>#</sup>	<b>730,451.83</b>	748,404.49
Guangzhou Newsoft Technology Company Limited <sup>#</sup>	—	369,445.98
Guangdong Xinyue Communications Investment Company Limited <sup>#</sup>	—	248,269.22
Guangdong High Science and Technology Investment Company Limited <sup>#</sup>	—	30,320.00
Total	<b><u>4,314,461.65</u></b>	<u>2,664,172.74</u>
<b>(12) Receipt of services</b>		
Dongguan Weisheng International Logistics Company Limited <sup>#</sup>	<b>24,637,994.74</b>	1,331,566.06
Guangdong Humen Bridge Company Limited <sup>#</sup>	<b>4,308,333.34</b>	4,700,000.00
Guangdong Xinyue Communications Investment Company Limited <sup>#</sup>	<b>1,218,667.22</b>	1,361,373.51
Yunfu City Guangyun Expressway Company Limited	—	2,632,217.00
Others <sup>#</sup>	<b>81,200.00</b>	—
Total	<b><u>30,246,195.30</u></b>	<u>10,025,156.57</u>

The above transactions under categories (10) - (12) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

(b) Lending and Borrowing to related parties<sup>#</sup>

Related parties	Annual interest rate	Opening Balance	Additions	Repayments	Ending balance	Period
		at 1 January	during	during	at 31 December	
		2017	the year	the year	2017	
	RMB	RMB	RMB	RMB		
GCG Finance	4.37%	30,000,000.00	—	(2,000,000.00)	28,000,000.00	19/12/2016- 18/12/2019
GCG Finance	4.465%	17,000,000.00	—	(200,000.00)	16,800,000.00	20/12/2016- 19/12/2019
GCG Finance	4.37%	20,000,000.00	—	(200,000.00)	19,800,000.00	28/12/2016- 27/12/2019
GCG Finance	4.37%	—	30,000,000.00	(11,000,000.00)	19,000,000.00	18/01/2017- 17/01/2020
GCG Finance	4.37%	—	5,000,000.00	(200,000.00)	4,800,000.00	06/03/2017- 05/03/2020
GCG Finance	4.37%	—	30,000,000.00	—	30,000,000.00	22/03/2017- 21/03/2019
GCG Finance	4.37%	36,000,000.00	—	—	36,000,000.00	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%	—	6,000,000.00	—	6,000,000.00	21/06/2017- 20/06/2020
GCG Finance	4.37%	—	14,000,000.00	—	14,000,000.00	21/06/2017- 20/06/2020
GCG Finance	4.37%	20,000,000.00	—	(1,000,000.00)	19,000,000.00	04/07/2017- 03/07/2020
GCG Finance	4.275%	—	30,000,000.00	(100,000.00)	29,900,000.00	12/07/2017- 11/07/2020
GCG Finance	4.37%	—	19,500,000.00	(100,000.00)	19,400,000.00	17/07/2017- 16/07/2020
GCG Finance	4.1325%	—	48,000,000.00	—	48,000,000.00	25/07/2017- 24/07/2018
GCG Finance	4.37%	—	20,000,000.00	(100,000.00)	19,900,000.00	03/08/2017- 02/08/2020
GCG Finance	4.37%	—	10,500,000.00	—	10,500,000.00	11/09/2017- 10/09/2020
GCG Finance	4.37%	—	5,000,000.00	(1,000,000.00)	4,000,000.00	13/09/2017- 12/09/2020
GCG Finance	4.275%	—	48,000,000.00	(1,000,000.00)	47,000,000.00	22/09/2017- 21/09/2020
GCG Finance	4%	—	15,000,000.00	—	15,000,000.00	22/09/2017- 21/09/2018
GCG Finance	4.275%	—	20,000,000.00	—	20,000,000.00	31/10/2017- 30/09/2020
GCG Finance	4.37%	—	5,000,000.00	—	5,000,000.00	31/10/2017- 30/10/2020
GCG Finance	4.275%	—	30,000,000.00	—	30,000,000.00	11/12/2017- 10/12/2020

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

## (c) Cash pool transaction

Pursuant to the relevant agreements, the Group centrally collects and manages the funds from 4 relevant bank accounts (the “Cash Pool Accounts”) of certain related party companies. The funds received are recorded as “other payables” and bear the same interest rate as demand deposit. Please refer to Note VI. 4 (p) “Other payables-Cash pool” regarding related parties’ cash pool accounts information and Note VI. 4(e) regarding relevant interest expense.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

## (d) GCG Finance deposit transaction#

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

## (e) Interest income and interest expenses

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>Interest income</b>		
GCG Finance#	<b>2,668,185.35</b>	246,594.46
<b>Interest expenses</b>		
GCG Finance#	<b>7,745,103.74</b>	9,391.80
GVTG cash pool	<b>59,541.81</b>	56,512.98
Total	<b>7,804,645.55</b>	65,904.78

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

## (f) Receipt of information system development and maintenance service

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Guangdong FeidaTraffic Engineering Company Limited#	<b>427,200.00</b>	279,537.43
Guangdong Oriental Thought Technology Company Limited#	<b>59,400.00</b>	1,228,961.61
Guangdong Lulutong Company Limited#	<b>—</b>	653,911.00
Total	<b>486,600.00</b>	2,162,410.04

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

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(Continued)***4 Significant transactions between the Group and its related parties for the year** *(Continued)**The Group (Continued)*

## (g) Freight transportation service outsourcing

On 26 February 2015, The Motor Transport Company of Guangdong and Hong Kong Limited, a subsidiary of the Group, entered into a freight transportation contracting agreement with Weisheng Fright Company Limited, under a contact term from 1 March 2015 to 31 December 2017, with a monthly agreed contracting fee of HKD 516,700.00. Disbursements incurred for the freight transportation service was paid by The Motor Transport Company of Guangdong and Hong Kong on behalf of Weisheng Fright Company Limited. On 27 Decemeber 2017, The Motor Transport Company of Guangdong and Hong Kong Limited entered into a freight transportation contracting agreement with Weisheng Fright Company Limited to extend the period, under a contact term from 1 January 2018 to 31 Decemeber 2020, with a monthly agreed contracting fee of HKD 516,700.00.

As of 31 December 2016, according to the freight transportation contract, the freight transportation outsourcing income and disbursements of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 5,370,507.46 and RMB 11,337,326.24, totaling RMB 16,707,833.70.

For the year ended 31 December 2017, the freight transportation outsourcing income and disbursements of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 5,364,648.08 and RMB 10,800,827.62, totaling RMB 16,165,475.70.

## (h) Passenger transportation service outsourcing

On 26 February 2015, Weisheng Fright Company Limited entered into a passenger transportation contracting agreement with The Motor Transport Company of Guangdong and Hong Kong Limited. Pursuant to the agreement, Weisheng Transportation Enterprises Company Limited outsources its passenger transportation service to The Motor Transport Company of Guangdong and Hong Kong Limited under a contact term from 1 March 2015 to 31 December 2017 with a monthly agreed contracting fee of HKD 250,000.00. Disbursements incurred for the passenger transportation service was paid by Weisheng Fright Company Limited on behalf of The Motor Transport Company of Guangdong and Hong Kong. On 27 Decemeber 2017, The Motor Transport Company of Guangdong and Hong Kong Limited, entered into a passenger transportation contracting agreement with Weisheng Fright Company Limited to extend the period, under a contact term from 1 January 2018 to 31 Decemeber 2020, with a monthly agreed contracting fee of HKD 3,000,000.00.

As of 31 December 2016, the passenger transportation outsourcing fee and disbursements of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB2,598,465.00 and RMB11,626,520.27, totaling RMB14,224,985.27.

For the year ended 31 December 2017, the passenger transportation outsourcing fee and disbursements of The Motor Transport Company of Guangdong and Hong Kong Limited amounted to RMB 2,595,630.00 and RMB 11,152,969.72, totaling RMB 13,748,599.72.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

- (i) Entrusted management

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>Management fee income</b>		
Yueyun Investment Management <sup>#</sup>	<u><b>7,228,301.88</b></u>	<u>7,662,000.00</u>

According to the Entrusted Management Contract between Guangdong Yueyun Transportation Company Limited and Yueyun Investment Management on 11 December 2015, Yueyun Investment Management fully entrusted Guangdong Yueyun Transportation Company Limited to manage its equity interest in Shenzhen Yueyun, Yangjiang Vehicles Transportation and Meizhou Yueyun and to operate these three companies. The contracting period of entrusted management begins from 1 January 2016 to 31 December 2018, with annual management fee of RMB7,662,000.00 in total. GVTG was delegated to handle the entrusted affairs due the subcontract among Yueyun Investment Management, Guangdong Yueyun Transportation Company Limited, and GVTG. The rights and obligations of Guangdong Yueyun Transportation Company Limited was transferred to GVTG. On 30 December 2015, Guangdong Yueyun Transportation Company Limited and Yueyun Investment Management entered into a supplemental contract to extend the contracting period to 31 December 2018, the annual management fee remains RMB7,662,000.00. Guangdong Yueyun Langri Co., Ltd., a subsidiary of the Company, acquired 100% of Yangjiang Vehicles Transportation, on 11 August 2017, accordingly Yueyun Investment Management and the Company entered into a supplemental agreement, pursuant to which Yueyun Investment Management shall terminate the entrusted management of the 100% equity interest in Yangjiang Vehicles Transportation, and the annual caps of entrusted management fee for the years ending 31 December 2017 and 2018 were revised to RMB7,487,204.00 and RMB7,212,700.00, respectively, with effect from the completion date of the acquisition.

- (j) Trademark and route operation licenses

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

- (k) Road and bridge tolls

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

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

- (l) Property entrusted management services

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Yueyun Investment Management <sup>#</sup>	<b><u>6,023,058.07</u></b>	<u>8,554,691.81</u>

On 31 October 2016, Yueyun Investment Management entered into an agreement with Guangdong Yunxing Property Management Co., Ltd. ("Guangdong Yunxing"), a subsidiary of the Group to extend the period for property entrusted management to 31 December 2019. On 29 September 2017, Guangdong Yunxing entered into a termination agreement with Yueyun Investment Management, pursuant to which Yueyun Investment Management and Guangdong Yunxing agreed to terminate the Property Management Entrustment Framework Agreement with effect from 1 October 2017 and both parties shall no longer have any rights and obligations under the Property Management Entrustment Framework Agreement.

- (m) Guarantees

In September of 2015, the Company issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB400 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 of 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB380 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) Tickets selling services

The Group's subsidiaries which are engaged in transportation services entered into contracts with Guangdong Province Gongbei Vehicles Transportation Company Limited. Guangdong Province Gongbei Vehicles Transportation Company Limited provide tickets selling services to these subsidiaries with total amount of RMB 796,445.90 in 2017.



**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*(o) Acquisition of Yangjiang Vehicles Transportation<sup>8</sup>

Guangdong Yueyun Langri Co., Ltd., a subsidiary of the Group, and Yueyun Investment Management entered into the Equity Transaction Agreement, pursuant to which, Guangdong Yueyun Langri agreed to acquire 100% equity interest in Yangjiang Vehicles Transportation with a consideration of RMB 73,552,900.00 in 11 August 2017 from Yueyun Investment Management.

## (p) Amounts due from/to related parties

<b>Caption</b>	<b>Related parties</b>	<b>As at 31 December 2017 RMB</b>	<b>As at 31 December 2016 RMB</b>
Cash at bank and on hand	GCG Finance	<b>481,695,810.07</b>	<b>50,252,470.02</b>
Accounts receivable	Guangdong Provincial Highway Construction Company Limited	<b>53,101,332.86</b>	12,209,662.67
	Guangdong Xinyue Communications Investment Company Limited	<b>49,727,476.62</b>	55,653,027.44
	Guangdong Yun-Wu Expressway Company Limited	<b>25,767,878.40</b>	25,650,029.37
	Guangdong Provincial Changda Highway Engineering Company Limited	<b>10,923,237.07</b>	10,722,762.20
	Guangdong Humen Bridge Company Limited	<b>7,281,680.61</b>	4,469,217.84
	Guangdong Guangle Expressway Company Limited	<b>7,086,169.57</b>	8,164,895.81
	Guangdong Chao-Hui Expressway Company Limited	<b>6,209,390.44</b>	34,778,222.97
	Guangdong Ping-Xing Expressway Company Limited	<b>4,769,903.46</b>	4,404,175.69
	Guangdong Provincial Freeway Company Limited	<b>3,845,764.37</b>	5,381,816.70
	Guangdong Baomao Expressway Company Limited	<b>3,245,039.82</b>	5,095,115.28

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

Caption	Related parties	As at	As at
		31 December 2017 RMB	31 December 2016 RMB
Accounts receivable	Zhaoqing City Guang-He Expressway Company Limited	3,117,270.15	3,073,496.55
(Continued)	Yueyun Investment Management	2,554,000.00	638,500.00
	Guangdong Meihe Expressway Company Limited	1,654,554.09	1,622,093.97
	Express Cross-Border Coach Management Company Limited	995,330.29	896,946.84
	Guang-Shen-Zhu Expressway Company Limited	710,524.00	589,629.94
	Guangdong Province Road & Bridge Construction Development Company Limited	677,100.00	9,727,490.74
	Guangdong Gaintop Highway Engineering Construction Group Company Limited	595,433.40	1,081,817.48
	Guangdong Yu-Zhan Expressway Company Limited	590,348.86	590,348.86
	Guangdong Guangye Yueyun Natural Gas Company Limited	464,177.02	—
	Qingyuan Zhongguan Development Co., Ltd.	415,086.28	—
	Guangzhou Xin Yue Asphalt Company Limited	369,942.15	1,083,667.84
	Guangdong Luo-Yang Expressway Company Limited	117,846.24	8,965,723.03
	Guangzhou City Tianhe Coach Terminal Co., Ltd.	—	1,009,362.43
	Others	2,642,487.01	2,061,748.55
	Total	<b>186,861,972.71</b>	<b>197,869,752.20</b>

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

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

Caption	Related parties	As at	As at
		31 December 2017 RMB	31 December 2016 RMB
Accounts payable	Guangdong Provincial Freeway Company Limited	<b>16,124,758.37</b>	15,032,259.59
	Guangzhou Xin Yue Asphalt Company Limited	<b>10,287,715.26</b>	37,951,085.97
	Guangdong Xinyue Communications Investment Company Limited	<b>8,842,102.71</b>	7,425,435.49
	Guang-Shen-Zhu Expressway Company Limited	<b>7,204,202.98</b>	7,163,555.12
	Guangdong Shanfen Expressway Company Limited	<b>4,748,864.65</b>	5,136,137.23
	Dongguan Weisheng International Logistics Company Limited	<b>4,569,468.49</b>	—
	Guangdong Yue Dong Freeway Industry Development Company Limited	<b>4,324,955.65</b>	4,160,000.00
	Guangdong Provincial Changda Highway Engineering Company Limited	<b>1,846,279.44</b>	1,846,279.44
	Jingzhu Expressway Guangzhu Section Company Limited	<b>1,799,600.00</b>	—
	Guangdong Fo-Kai Expressway Company Limited	<b>1,651,685.10</b>	8,240,166.69
	Guangfo Expressway Company Limited	<b>1,316,266.81</b>	1,592,502.95
	Zhaoqing Yuezhao Expressway Company Limited	<b>1,219,099.89</b>	1,200,000.00
	Guangdong Kai Yang Expressway Company Limited	<b>1,084,765.91</b>	1,004,029.29
	Guangdong HuaLu Transport Technology Company Limited	<b>928,927.00</b>	—

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

Caption	Related parties	As at	As at
		31 December 2017 RMB	31 December 2016 RMB
Accounts payable	Guangdong He-Hui Expressway Company Limited	895,855.54	940,911.55
	Guangdong provincial Communication		
(Continued)	Group Finance Company Limited	730,451.83	—
	Guangdong Province Road & Bridge		
	Construction Development Company Limited	705,785.02	637,239.82
	Guangdong Western Shen-Shan		
	expressway Company Limited	657,590.98	5,312,970.13
	Guangdong Humen Bridge Company Limited	613,679.53	191,577.73
	Kee Kwan Motor Road Company Limited	603,315.80	513,762.89
	Guangdong Jiangzhong Expressway		
	Company Limited	589,809.98	500,895.93
	Guangdong Ping-Xing Expressway		
	Company Limited	571,865.58	1,264,900.00
	Guangdong Guangye Yueyun Natural		
	Gas Company Limited	434,914.67	819,429.92
	Guangdong Baomao Expressway		
	Company Limited	17,745.29	2,200,408.64
	Guangdong Zhaoyang Expressway		
	Company Limited	16,483.38	2,191,893.45
	Guangdong Bo-Da Expressway Company Limited	7,471.70	441,009.45
	Others	3,356,283.44	2,981,125.01
	Total	75,149,945.00	108,747,576.29

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

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

Caption	Related parties	As at 31 December 2017 RMB	As at 31 December 2016 RMB
Prepayments	Guangdong Guangfozhao Expressway Company Limited	3,773,579.98	2,000,000.00
	Guangdong Guangzhu Expressway West Section Company Limited	1,588,516.22	2,948,658.95
	Guangdong Province Road & Bridge Construction Development Company Limited	1,735,165.25	1,826,407.41
	Guangdong Luo-Yang Expressway Company Limited	1,401,538.58	—
	Guangdong Guangye Yueyun Natural Gas Company Limited	350,000.00	1,095,590.48
	Others	3,078,884.41	2,614,825.75
	Total	<b>11,927,684.44</b>	<b>10,485,482.59</b>
Advances from customers	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 Provincial Freeway Company Limited	508,106.19	574,081.73
	Guangdong Ninghua Expressway Company Limited	206,940.99	4,999,999.99
	Guangdong Provincial Highway Construction Company Limited	3,349.58	2,856,143.81
	Others	2,009,260.62	1,097,682.89
	Total	<b>5,680,941.88</b>	<b>12,481,192.92</b>

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

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

Caption	Related parties	<b>As at 31 December 2017 RMB</b>	As at 31 December 2016 RMB (Restated)
Other receivables	Weisheng Transportation Enterprises Company Limited	<b>12,071,660.37</b>	11,495,552.44
	Guangdong Xinyue Communications Investment Company Limited	<b>13,802,954.85</b>	13,456,749.84
	Kee Kwan Motor Road Company Limited	<b>11,650,167.33</b>	13,243,983.28
	Guangdong Chaoshan Circle line Expressway Company Limited	<b>8,003,895.41</b>	—
	Guangdong Hui-qing Expressway Company Limited	<b>7,316,340.57</b>	—
	Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	<b>5,457,292.99</b>	—
	Guangdong Provincial Changda Highway Engineering Company Limited	<b>4,706,471.74</b>	4,666,177.49
	Shantou City Automobile Passenger Traffic Center Co., Ltd.	<b>4,221,868.79</b>	4,226,668.79
	Guangdong Litong Properties Investment Company Limited	<b>1,836,326.00</b>	—
	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	<b>1,752,957.48</b>	1,752,957.48
	Guangdong Guangye Yueyun Natural Gas Co., Ltd.	<b>1,659,782.53</b>	1,000,000.00
	Kwong Fat Transport Company Limited	<b>1,620,800.00</b>	1,643,254.00
	Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	<b>1,566,308.58</b>	1,081,223.65

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

Caption	Related parties	As at 31 December 2017 RMB	As at 31 December 2016 RMB (Restated)
Other receivables	Guangdong Guangzhu Expressway West Section Company Limited	1,508,300.00	1,542,000.00
(Continued)	Kee Kwan Travel Tour Transportation Hong Kong Company Limited	1,436,171.10	1,467,812.01
	Guangdong Province Road & Bridge Construction Development Company Limited	1,166,250.00	3,723,000.04
	Guang-Shen-Zhu Expressway Company Limited	1,102,534.50	1,108,137.25
	Guangdong Maozhan Expressway Company Limited	1,000,000.00	1,000,000.00
	Guangdong Guangfozhao Expressway Company Limited	900,000.00	300,000.00
	Guangdong Province Yue-zhan High Speed Passenger Traffic Co., Ltd.	835,524.47	—
	Guangdong Wangshangfei Logistics Technology Co., Ltd	832,347.32	—
	Guangdong Provincial Freeway Company Limited	512,925.00	2,103,900.00
	Guangdong Province Gongbei Vehicles Transportation Company Limited	37,352.60	1,238,596.34
	Southern United Assets and Equity Exchange Company Limited	—	2,618,460.00
	Yueyun Investment Management	—	2,318,495.68
	Jiangmen Guangjiang Expressway Passenger Company Limited	—	1,239,000.00
	Others	8,519,842.74	5,769,469.95
	Total	<b>93,518,074.37</b>	<b>76,995,438.24</b>

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Group (Continued)

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

Caption	Related parties	As at	As at
		31 December 2017 RMB	31 December 2016 RMB (Restated)
Other payables	Yueyun Investment Management	44,489,454.48	—
	GCGC	3,625,185.52	3,276,037.48
	Guangdong Xinyue Communications Investment Company Limited	1,704,173.56	1,338,468.45
	Guang-Shen-Zhu Expressway Company Limited	876,870.70	—
	Weisheng Transportation Enterprises Company Limited	710,917.15	710,917.15
	Guangdong Guangzhu Expressway West Section Company Limited	—	33,700.00
	Guangdong Guangle Expressway Company Limited	519,253.08	—
	Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	584,775.83	—
	Others	2,602,864.18	1,863,374.11
	Sub-total	55,113,494.50	7,222,497.19
	Other payables – cash pool	Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	3,464,260.33
Guangdong Province Bus Terminal Co., Ltd.		1,051,723.49	1,053,057.00
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.		—	4,842,536.43
Others		1,990.50	1,990.50
Sub-total		4,517,974.32	11,158,038.65
Total of other payables		59,631,468.82	18,380,535.84



**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Group (Continued)*

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

Caption	Related parties	As at	As at
		31 December	31 December
		2017	2016
		RMB	RMB
Dividends payable	Guangdong Xinyue Communications Investment Company Limited	<b>2,780,436.84</b>	2,780,436.84
Other non-current assets	Guangdong Guangzhu Expressway West Section Company Limited	<b>86,792,452.83</b>	86,167,034.97
	Guangdong Guangfozhao Expressway Company Limited	<b>81,428,548.77</b>	48,000,000.00
	Guangzhou Tianhe Coach Terminal Co., Ltd.	<b>9,600,000.00</b>	9,600,000.00
	Total	<b><u>177,821,001.60</u></b>	<u>143,767,034.97</u>
Dividends receivable	Guangzhou Tianhe Coach Terminal Co., Ltd.	—	<u>2,433,240.64</u>

(q) Compensation for key management personnel

	2017	2016
	RMB	RMB
Compensation for key management personnel	<b><u>10,949,455.30</u></b>	<u>11,272,753.91</u>

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company*

The related party transactions between the Company and its subsidiaries are set out as follows. The significant related party transactions with other related parties are disclosed under Note VI. 4.

- (1) Sales and purchase of goods, provision and receipt of services

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>Material logistics service income</b>		
Guangdong South China Logistics Enterprise Company Limited	<b>283,429,760.79</b>	26,645,425.02
Purchase of materials		
Guangdong South China Logistics Enterprise Company Limited	<b>182,808,178.34</b>	179,552,568.79
Yueyun Transportation (HK) Company Limited	<b>289,745,142.53</b>	72,493,537.57
Guangdong Yueyun Jia Fu Industrial Company Limited	<b>161,400.00</b>	—
Total	<b>472,714,720.87</b>	252,046,106.36
Receipt of service		
Yueyun Transportation (HK) Company Limited	—	5,000,000.00
Guangdong Province Transportation Engineering Company Limited	<b>4,273,592.00</b>	2,065,778.94
Guangdong South China Logistics Enterprise Company Limited	—	1,817,178.47
Others	<b>884,546.00</b>	1,315,585.36
Total	<b>5,158,138.00</b>	10,198,542.77

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

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

## (2) Expenses with related parties

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>Property management service expenses</b>		
Guangdong Yunxing	<b><u>2,051,117.00</u></b>	<u>1,701,816.00</u>

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

## (3) Lending to related parties

Related parties	Annual interest rate	Opening Balance		Ending balance		Period
		as at 1 January	Additions	Repayments	as at 31 December	
		2017	during the year	during the year	2017	
		RMB	RMB	RMB	RMB	
GVTG	4.35%	200,000,000.00	—	(200,000,000.00)	—	2016.5.12-2017.5.12
GVTG	4.36%	60,000,000.00	—	(60,000,000.00)	—	2016.01.29-2017.01.29
GVTG	4.35%	294,000,000.00	100,000,000.00	(70,000,000.00)	324,000,000.00	2016.11.23-2018.11.22
GVTG	4.35%	—	135,000,000.00	—	135,000,000.00	2017.5.10-2018.5.9
Yueyun Transportation Technology Services (Guangzhou) Co., Ltd.	4.60%	18,000,000.00	—	—	18,000,000.00	2017.03.23-2018.03.22
Guangdong Province Transportation Engineering Company Limited	4.72%	7,500,000.00	7,500,000.00	(7,500,000.00)	7,500,000.00	2017.09.19-2018.09.19
Guangdong Province Transportation Engineering Company Limited	4.65%	3,000,000.00	—	(3,000,000.00)	—	2016.05.23-2017.05.23

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

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Company (Continued)

## (4) Interest income and interest expenses with related parties

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>Interest income</b>		
GVTG	<b>21,133,490.00</b>	8,943,425.17
Yueyun Transportation (HK) Company Limited	<b>781,132.09</b>	798,809.21
Guangdong South China Logistics Enterprise Company Limited	—	1,141,580.94
Others	<b>391,438.67</b>	477,411.80
Total	<b><u>22,306,060.76</u></b>	<u>11,361,227.12</u>
<b>Interest expenses</b>		
GVTG	<b>936,906.80</b>	2,373,736.20
Guangdong Top-E Expressway Service Zone Company Limited	<b>456,192.63</b>	2,022,593.66
Guangdong South China Logistics Enterprise Company Limited	<b>276,858.17</b>	818,977.26
Guangdong Highway Media Company Limited	<b>129,811.00</b>	159,199.69
Others	<b>245,095.86</b>	217,731.82
Total	<b><u>2,044,864.46</u></b>	<u>5,592,238.63</u>

Pursuant to the relevant agreements, the Company centrally manages the funds from relevant bank accounts (the “Cash Pool Accounts”) of certain subsidiaries. The funds received are recorded as “other payables” and bear the same interest rate as demand deposit. Please refer to Note VI. 4 (6) “Other payables-Cash pool” regarding related parties’ cash pool accounts information and the above regarding relevant interest expense.

## (5) Entrusted management

	<b>2017</b>	2016
	<b>RMB</b>	RMB
<b>Management fee income</b>		
Yueyun Investment Management	<b><u>7,228,301.88</u></b>	<u>7,662,000.00</u>

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Company (Continued)

(6) Amounts due from/to related parties

Caption	Related parties	As at	As at
		31 December 2017 RMB	31 December 2016 RMB
Account receivables	Guangdong South China Logistics Enterprise Company Limited	<b>169,253,124.51</b>	124,990,723.37
	Yueyun Transportation (HK) Company Limited	<b>1,471,080.88</b>	1,471,080.88
	Total	<b>170,724,205.39</b>	126,461,804.25
Account payables	Guangdong South China Logistics Enterprise Company Limited	<b>11,103,852.83</b>	152,711,663.36
	Guangdong Yueyun Jia Fu Industrial Ltd.	—	1,450,000.00
	Guangdong Province Transportation Engineering Company Limited	—	1,155,000.00
	Total	<b>11,103,852.83</b>	155,316,663.36
Other receivables	GVTG	<b>483,718,648.62</b>	559,529,823.54
	Guangdong Province Transportation Engineering Company Limited	<b>48,300,000.00</b>	51,450,015.00
	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	<b>21,567,123.30</b>	21,015,879.46
	Guangdong South China Logistics Enterprise Company Limited	<b>3,778,458.77</b>	9,868,501.72
	Yueyun Transportation (HK) Company Limited	<b>2,853,947.81</b>	2,499,472.25
	The Motor Transport Company of Guangdong and Hongkong Limited	—	51,401.15
	Total	<b>560,218,178.50</b>	644,415,093.12

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

**4 Significant transactions between the Group and its related parties for the year** (Continued)

The Company (Continued)

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

Caption	Related parties	As at 31 December 2017 RMB	As at 31 December 2016 RMB
Other payables	Guangdong Highway Media Company Limited	330,000.00	1,126,608.50
	Guangdong Top-E Expressway Service Zone Company Limited	—	1,103,333.33
	GVTG	680,066.66	564,512.93
	Others	8,270.00	91,862.00
	Sub-total	<u>1,018,336.66</u>	<u>2,886,316.76</u>
Other payables	Guangdong Top-E Expressway Service Zone Company Limited	152,810,585.32	221,322,979.48
– Cash pool	GVTG	326,331,524.87	388,053,160.79
	Guangdong South China Logistics Enterprise Company Limited	165,545,744.14	308,338,825.08
	Guangdong Yueyun Jia Fu Industrial Ltd.	275,488.47	—
	Guangdong Highway Media Company Limited	38,230,800.70	46,511,426.88
	Jindaoda	40,737,147.20	45,557,988.01
	Guangdong Tongyi Landscape Co., Ltd.	10,045,108.78	14,017,575.51
	Guangdong Province Transportation Engineering	3,415,809.97	4,026,043.35
	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	1,041,150.96	1,205,983.61
	Sub-total	<u>738,433,360.41</u>	<u>1,029,033,982.71</u>
	Total of other payables	<u>739,451,697.07</u>	<u>1,031,920,299.47</u>
Dividends receivable	Guangdong South China Logistics Enterprise Company Limited	79,079,134.48	—
	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	1,023,000.00	1,023,000.00
	Total	<u>80,102,134.48</u>	<u>1,023,000.00</u>

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

## (7) Compensation for key management personnel

The total compensation for the key management personnel this year is RMB10,949,455.30 (2016: RMB11,272,753.91).

Compensation for the directors and supervisors are as below:

Title and name	Note	2017			Total RMB
		Board expenses RMB	Basic Salaries and other allowances	Retirement plan contributions	
			RMB	RMB	
Executive Director, Chairman of the Board Xuan Zongmin	(2)	—	795,592.14	34,474.32	830,066.46
Executive Director, General Manager Tang Yinghai	(3)	—	740,186.39	31,006.08	771,192.47
Executive director, Deputy general manager Yao Hanxiong	(4)	—	664,846.95	29,675.28	694,522.23
Executive Director, Deputy General Manager Fei Dachuan	(5)	—	537,143.95	19,751.84	556,895.79
Executive Director Guo Junfa		—	891,305.64	—	891,305.64
Independent non-executive Director Gui Shouping		—	60,000.00	—	60,000.00
Independent non-executive Director Lu Zhenghua	(6)	—	60,000.00	—	60,000.00

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel (Continued)

Title and name	Note	2017			Total RMB
		Board	Basic Salaries	Retirement	
		expenses RMB	and other allowances RMB	plan contributions RMB	
Independent non-executive Director					
Peng Xiaolei	(7)	—	50,000.00	—	50,000.00
Independent non-executive Director					
Jin Wenzhou		—	60,000.00	—	60,000.00
Supervisor					
Du Wanyan	(8)	—	44,727.72	—	44,727.72
Supervisor					
Li Xiangrong	(9)	—	304,869.66	—	304,869.66
Supervisor					
Zhen Jianhui		—	329,820.30	—	329,820.30
Supervisor					
Zhang Deyou	(10)	—	190,075.49	—	190,075.49
Supervisor					
Lian Yuebin	(11)	—	337,238.82	—	337,238.82
Independent Supervisor					
Dong Yihua	(12)	—	48,000.00	—	48,000.00
Independent Supervisor					
Lin Hai	(13)	—	48,000.00	—	48,000.00



**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel (Continued)

Title and name	Note	Board expenses RMB	2016		Total RMB
			Basic Salaries and other allowances RMB	Retirement plan contributions RMB	
Executive Director, Chairman of the Board Xuan Zongmin	(2)	—	726,524.14	59,042.01	785,566.15
Executive Director, General Manager Tang Yinghai	(3)	—	653,510.14	57,715.65	711,225.79
Executive director, Deputy general manager Yao Hanxiong	(4)	—	625,493.53	53,776.69	679,270.22
Executive Director, Deputy General Manager Fei Dachuan	(5)	—	624,493.53	53,836.07	678,329.60
Executive Director Guo Junfa		—	933,115.00	—	933,115.00
Independent non -executive Director Gui Shouping		—	60,000.00	—	60,000.00
Independent non -executive Director Lu Zhenghua	(6)	—	33,833.00	—	33,833.00
Independent non -executive Director Peng Xiaolei	(7)	—	60,000.00	—	60,000.00

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

(7) Compensation for key management personnel (Continued)

Title and name	Note	Board expenses RMB	2016		Total RMB
			Basic Salaries and other allowances RMB	Retirement plan contributions RMB	
Independent non -executive Director					
Jin Wenzhou		—	60,000.00	—	60,000.00
Independent non- executive Director					
Liu Shaobo		—	26,167.00	—	26,167.00
Supervisor					
Du Wanyan	(8)	—	268,766.19	39,155.37	307,921.56
Supervisor					
Li Xiangrong	(9)	—	270,562.13	38,908.65	309,470.78
Supervisor					
Zhen Jianhui		—	310,264.88	41,593.65	351,858.53
Supervisor					
Zhang Linian		—	326,736.44	41,096.97	367,833.41
Supervisor					
Zhang Anli		—	267,590.67	33,709.70	301,300.37
Independent Supervisor					
Dong Yihua	(12)	—	27,066.67	—	27,066.67
Independent Supervisor					
Lin Hai	(13)	—	27,066.67	—	27,066.67
Independent Supervisor					
Bai Hua		—	20,933.33	—	20,933.33
Independent Supervisor					
Lu Zhenghua	(6)	—	20,933.33	—	20,933.33

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(Continued)***4 Significant transactions between the Group and its related parties for the year** *(Continued)**The Company (Continued)*(7) Compensation for key management personnel *(Continued)*

(1) The compensation for the following key management personnel are not paid by the Company:

2017: non-executive Director Mr. Chen Min (Note (14)), non-executive Director Mr. Li Bin.

2016: non-executive Director Mr. Liu Hong (Note (15)), non-executive Director Mr. Chen Min (Note (14)), non-executive Director Mr. Li Bin.

(2) The salaries of Mr. Xuan Zongming included his salaries as both of executive Director and Chairman of the Board.

(3) The salaries of Mr. Tang Yinghai included his salaries as both of executive Director and general manager.

(4) The salaries of Mr. Yao Hanxiong included his salaries as both of executive Director and deputy general manager of the Company.

(5) The salaries of Mr. Fei Dachuan included his salaries as both of executive Director and deputy general manager of the Company, and he left the position in August 2017

(6) Ms. Lu Zhenghua's position was changed from independent Supervisor to independent non- executive Director in June 2016.

(7) Mr. Peng Xiaolei left the position as independent non- executive Director in November 2017.

(8) Ms. Du Wanyan became Supervisor in June 2016, and left the position in January 2017.

(9) Ms. Li Xiangrong became Supervisor in June 2016.

(10) Ms. Zhang Deyou became Supervisor in April 2017, and left the position in July 2017.

(11) Ms. Lian Yuebin became Supervisor in August 2017.

(12) Mr. Dong Yihua became independent Supervisor in June 2016.

(13) Mr. Lin Hai became independent Supervisor in June 2016.

(14) Mr. Chen Min became non- executive Director in June 2016.

(15) Mr. Liu Hong became non- executive Director in April 2014, and left the position in June 2016.

During the year, the Group and the Company have neither made any payments that served as a motivation for Directors to join, nor paid any compensation for Director's resignation.

**VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** (Continued)**4 Significant transactions between the Group and its related parties for the year** (Continued)*The Company (Continued)*

## (7) Compensation for key management personnel (Continued)

Apart from the above directors and supervisors, the compensation for other key management personnel of the Company is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Other key management personnel	<b><u>5,672,740.72</u></b>	<u>5,510,862.50</u>

Note: Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the entity, including director, general manager, chief accountant, financial director, vice general managers taking charge of each business unit, and personnel who perform similar strategic functions. The CEO of the Company is general manager.

Three (2016: two) of the Group's top five highest paid people are directors. The compensation for the remaining two (2016: three) is as follows:

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Basic salaries and other allowances	<b>1,625,358.52</b>	2,094,226.08
Retirement plan contributions	<b><u>56,304.00</u></b>	<u>113,063.40</u>
Total	<b><u>1,681,662.52</u></b>	<u>2,207,289.48</u>

One individual's emolument of the top five individuals was between HKD 1 million to HKD 1.5 million in 2017 and 2016. The each emolument of the remaining four individuals was below HKD 1 million in 2017 and 2016.

## VII. COMMITMENTS

### 1 Capital commitments

#### *The Group*

	2017 RMB	2016 RMB
Capital commitments that have been entered into but have not been recognised in the financial statements:		
– Commitment for acquisition and construction of long-term assets	179,092,095.13	25,909,392.59
Capital commitments that have been approved but have not been entered into	<u>61,730,000.00</u>	<u>257,348,873.00</u>
Total	<u><u>240,822,095.13</u></u>	<u><u>283,258,265.59</u></u>

#### *The Company*

	2017 RMB	2016 RMB
Capital commitments that have been approved but have not been entered into	<u>—</u>	<u>540,000.00</u>

### 2 Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the operating rights of service zones, properties and the advertising facilities are as follows:

#### *The Group*

	2017 RMB	2016 RMB
Within 1 year (inclusive)	139,711,932.94	128,052,356.89
After 1 year but within 2 years (inclusive)	134,037,903.19	104,255,199.92
After 2 years but within 3 years (inclusive)	123,731,044.81	102,084,401.58
After 3 years	<u>1,538,972,262.63</u>	<u>1,282,971,790.14</u>
Total	<u><u>1,936,453,143.57</u></u>	<u><u>1,617,363,748.53</u></u>

**VII. COMMITMENTS** (Continued)**2 Operating lease commitments** (Continued)*The Company*

	<b>2017</b>	2016
	<b>RMB</b>	RMB
Within 1 year (inclusive)	<b>6,525,051.00</b>	5,292,123.00
After 1 year but within 2 years (inclusive)	<b>6,610,671.00</b>	5,292,123.00
After 2 years but within 3 years (inclusive)	<b>615,615.00</b>	5,292,123.00
After 3 years	<b>2,411,158.75</b>	3,334,581.25
Total	<b>16,162,495.75</b>	19,210,950.25

**VIII. OTHER SIGNIFICANT MATTERS****1 Risk analysis and sensitivity analysis to financial instruments**

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

## VIII. OTHER SIGNIFICANT MATTERS *(Continued)*

### 1 Risk analysis and sensitivity analysis to financial instruments *(Continued)*

#### *(1) Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. Normally, the Group does not obtain collateral from customers.

The credit losses of the Group's customers have occurred infrequently. In monitoring customer credit risk, customers are grouped according to some factors, such as maturity date.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 27.08% and 74.37% (2016: 28.09% and 82.78%) of the total accounts receivable and other receivables were due from the five largest customers of the Group and the Company, respectively.

The maximum exposure to credit risk of the Group and the Company is represented by the carrying amount of each financial asset in the balance sheet. Except for providing a counter guarantee to GCGC by the Guang Shen Zhu Expressway Taiping Interchange franchise operating rights, the Group and the Company does not provide any other guarantees which would expose the Group and the Company to credit risk.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)**(2) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2017 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Short-term loans	(216,784,492.67)	—	—	(216,784,492.67)	(212,806,642.67)
Bills payable	(780,735,011.25)	—	—	(780,735,011.25)	(780,735,011.25)
Accounts payable and other payables	(1,389,314,735.99)	—	—	(1,389,314,735.99)	(1,389,314,735.99)
Taxes payable	(170,184,925.85)	—	—	(170,184,925.85)	(170,184,925.85)
Employee benefits payable	(178,455,363.29)	—	—	(178,455,363.29)	(178,455,363.29)
Interest payable	(5,381,992.32)	—	—	(5,381,992.32)	(5,381,992.32)
Non-current liabilities due within one year	(116,206,321.52)	—	—	(116,206,321.52)	(111,318,710.29)
Dividends payable	(38,053,466.15)	—	—	(38,053,466.15)	(38,053,466.15)
Long-term loans	—	(507,948,869.92)	(204,480,653.36)	(712,429,523.28)	(500,075,133.02)
Bonds payable	(30,404,000.00)	(870,208,000.00)	—	(900,612,000.00)	(775,310,816.19)
Long-term payables	—	(168,529,092.12)	(12,264,586.35)	(180,793,678.47)	(154,168,357.56)
Long-term employee benefits payable	—	(26,159,019.18)	(148,478,453.25)	(174,637,472.43)	(150,336,775.00)
<b>Total</b>	<b>(2,925,520,309.04)</b>	<b>(1,572,844,981.22)</b>	<b>(365,223,692.96)</b>	<b>(4,863,588,983.22)</b>	<b>(4,466,141,929.58)</b>



## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

## (2) Liquidity risk (Continued)

The Group (Continued)

	2016 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Short-term loans	(46,324,937.50)	—	—	(46,324,937.50)	(45,000,000.00)
Bills payable	(462,401,913.99)	—	—	(462,401,913.99)	(462,401,913.99)
Accounts payable and other payables (Restated)	(1,249,729,974.26)	—	—	(1,249,729,974.26)	(1,249,729,974.26)
Taxes payable (Restated)	(133,542,120.92)	—	—	(133,542,120.92)	(133,542,120.92)
Employee benefits payable (Restated)	(164,904,801.21)	—	—	(164,904,801.21)	(164,904,801.21)
Interest payable	(5,095,378.31)	—	—	(5,095,378.31)	(5,095,378.31)
Non-current liabilities due within one year	(82,250,821.90)	—	—	(82,250,821.90)	(80,219,176.87)
Dividends payable	(29,684,164.21)	—	—	(29,684,164.21)	(29,684,164.21)
Long-term loans	—	(210,032,275.39)	(58,359,400.00)	(268,391,675.39)	(232,425,730.93)
Bonds payable	(30,404,000.00)	(488,012,000.00)	(412,600,000.00)	(931,016,000.00)	(774,170,794.08)
Long-term payables (Restated)	—	(120,341,361.80)	(14,273,555.27)	(134,614,917.07)	(127,659,791.85)
Long-term employee benefits payable	—	(23,120,344.52)	(200,345,887.65)	(223,466,232.17)	(162,139,949.06)
Total	<u>(2,204,338,112.30)</u>	<u>(841,505,981.71)</u>	<u>(685,578,842.92)</u>	<u>(3,731,422,936.93)</u>	<u>(3,466,973,795.69)</u>

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

## (2) Liquidity risk (Continued)

The Company

	2017 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Bills payable	(473,950,000.00)	—	—	(473,950,000.00)	(473,950,000.00)
Accounts payable and other payables	(856,040,125.86)	—	—	(856,040,125.86)	(856,040,125.86)
Employee benefits payable	(21,618,087.89)	—	—	(21,618,087.89)	(21,618,087.89)
Taxes payable	(31,058,166.09)	—	—	(31,058,166.09)	(31,058,166.09)
Interest payable	(4,729,044.52)	—	—	(4,729,044.52)	(4,729,044.52)
Bonds payable	(30,404,000.00)	(870,208,000.00)	—	(900,612,000.00)	(775,310,816.19)
Total	<u>(1,417,799,424.36)</u>	<u>(870,208,000.00)</u>	<u>—</u>	<u>(2,288,007,424.36)</u>	<u>(2,162,706,240.55)</u>

	2016 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Bills payable	(92,189,797.25)	—	—	(92,189,797.25)	(92,189,797.25)
Accounts payable and other payables	(1,283,976,404.65)	—	—	(1,283,976,404.65)	(1,283,976,404.65)
Employee benefits payable	(18,170,696.86)	—	—	(18,170,696.86)	(18,170,696.86)
Taxes payable	(13,268,044.80)	—	—	(13,268,044.80)	(13,268,044.80)
Interest payable	(4,729,044.48)	—	—	(4,729,044.48)	(4,729,044.48)
Bonds payable	(30,404,000.00)	(488,012,000.00)	(412,600,000.00)	(931,016,000.00)	(774,170,794.08)
Total	<u>(1,442,737,988.04)</u>	<u>(488,012,000.00)</u>	<u>(412,600,000.00)</u>	<u>(2,343,349,988.04)</u>	<u>(2,186,504,782.12)</u>

## (3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

## (3) Interest rate risk (Continued)

(a) As at 31 December, the following interest-bearing financial instruments were held:

The Group

Fixed rate instruments:

	2017		2016	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Short-term loans	4.13% - 4.35%	(187,806,642.67)	4.35%	(20,000,000.00)
– Long-term loans	4.37% - 4.75%	(21,698,567.97)	4.75%	(6,601,642.03)
Total		(209,505,210.64)		(26,601,642.03)

Variable rate instruments:

	2017		2016	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial assets				
– Cash at bank (Restated)	0.30% - 0.35%	1,797,808,303.66	0.35%	1,594,229,145.97
Financial liabilities				
– Short-term loans Note	4.00% - 4.35%	(25,000,000.00)	4.13% - 4.35%	(25,000,000.00)
– Long-term loans Note	4.28% - 4.90%	(543,664,686.63)	4.51% - 4.90%	(271,171,089.53)
Total		1,229,143,617.03		1,298,058,056.44

Note: The interest rates of loans held by the Group are same as the benchmark loan interest rates announced by the People's Bank of China at the drawdown dates of the loans and are adjusted annually.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)

## (3) Interest rate risk (Continued)

(a) As at 31 December, the following interest-bearing financial instruments were held: (Continued)

The Company

Variable rate instruments:

	2017		2016	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial assets				
– Cash at bank	0.30%	<u>929,530,884.06</u>	0.35%	<u>1,109,152,027.77</u>

(b) Sensitivity analysis

As at 31 December, it is estimated that a general increase of 25 basis points in interest rates, with all other variables held constant, would increase the equity and net profit of the Group and the Company:

	The Group		The Company	
	2017 RMB	2016 RMB (Restated)	2017 RMB	2016 RMB
Equity	<b>2,304,644.28</b>	2,433,858.86	<b>1,742,870.41</b>	2,079,660.05
Net profit	<b>2,304,644.28</b>	2,433,858.86	<b>1,742,870.41</b>	2,079,660.05

As at 31 December, it is estimated that a general decrease of 25 basis points in interest rates, with all other variables held constant, would lead to a same amount but reverse change with it is mentioned about to equity and net profit of the Company.

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group or the Company at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)(4) *Foreign currency risk*

The functional currency of the Group's Hong Kong subsidiaries is HKD, while, it is RMB for the Group's other subsidiaries. In respect of cash at bank and on hand, accounts receivable and payable, short-term loans and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

**The Group**

	2017			2016		
	RMB	USD	HKD	RMB	USD	HKD
Cash at bank and on hand	47,417,493.18	17,335,421.96	2,112,765.13	45,334,662.68	13,423,296.10	3,313.26
Accounts receivable	2,709,547.47	—	—	6,408,667.16	—	—
Other receivables	3,158,323.68	—	—	3,900,663.79	—	—
Prepayments	3,426,019.90	—	—	1,843,433.26	—	—
Accounts payable	(22,343,502.02)	—	—	(24,428,108.18)	—	—
Other payables	(5,597,706.70)	(139.90)	—	(3,108,918.12)	—	—
Advances from customers	(11,854.88)	—	—	(56,203.85)	—	—
Gross balance sheet exposure	<u>28,758,320.63</u>	<u>17,335,282.06</u>	<u>2,112,765.13</u>	<u>29,894,196.74</u>	<u>13,423,296.10</u>	<u>3,313.26</u>

There were no assets and liabilities denominated in foreign currencies for the Company as at 31 December 2017 and 31 December 2016.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)

## (4) Foreign currency risk (Continued)

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2017	2016	2017	2016
RMB	<b>1.0000</b>	<b>1.0000</b>	1.0000	1.0000
USD	<b>6.7356</b>	<b>6.7153</b>	6.5342	6.9370
HKD	<b>0.8652</b>	<b>0.8661</b>	0.8359	0.8945

## (c) Sensitivity analysis

- (i) For subsidiaries adopt RMB as functional currency, assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and HK dollar at 31 December would have increased the Group's and the Company's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the balance sheet date.

**As at 31 December 2017**

	Equity		Net profit	
	The Group	The Company	The Group	The Company
USD	<b>(650,073.08)</b>	—	<b>(650,073.08)</b>	—
HKD	<b>(84,781.93)</b>	—	<b>(84,781.93)</b>	—
Total	<b><u>(734,855.01)</u></b>	<b><u>—</u></b>	<b><u>(734,855.01)</u></b>	<b><u>—</u></b>

## As at 31 December 2016

	Equity		Net profit	
	The Group	The Company	The Group	The Company
	(Restated)		(Restated)	
USD	(503,372.89)	—	(503,372.89)	—
HKD	(124.12)	—	(124.12)	—
Total	<b><u>(503,497.01)</u></b>	<b><u>—</u></b>	<b><u>(503,497.01)</u></b>	<b><u>—</u></b>

A 5% weakening of the Renminbi against the US dollar and HK dollar at 31 December would have had the equal but opposite effect on the Group's and the Company's equity and net profit to the amounts shown above, on the basis that all other variables remained constant.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**1 Risk analysis and sensitivity analysis to financial instruments** (Continued)

## (4) Foreign currency risk (Continued)

## (c) Sensitivity analysis (Continued)

- (ii) For Hong Kong subsidiaries adopt HKD as functional currency, assuming all other risk variables remained constant, a 5% strengthening of the HK dollar against the RMB at 31 December would have increased the Group's and the Company's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at balance sheet date.

**As at 31 December 2017**

	Equity		Net profit	
	The Group	The Company	The Group	The Company
RMB	<u>1,079,324.85</u>	<u>—</u>	<u>1,079,324.85</u>	<u>—</u>

## As at 31 December 2016

	Equity		Net profit	
	The Group (Restated)	The Company	The Group (Restated)	The Company
RMB	<u>1,121,032.38</u>	<u>—</u>	<u>1,121,032.38</u>	<u>—</u>

A 5% weakening of the HK dollar against RMB at 31 December would have had the equal but opposite effect on the Group's and the Company's equity and net profit to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements denominated in foreign currency. The analysis is performed on the same basis for the previous year.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**2 Fair value measurement***(i) Fair value measurement*

As at 31 December 2017 and 31 December 2016, the Group and the Company did not have financial instruments carried at fair value.

*(ii) Fair value of other financial instruments (items not measured at fair value at the end of the year)*

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2017 and 2016.

**3 Capital management**

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders. The Group's capital structure is regularly reviewed and managed to maintain a health net debt-to-capital ratio. The Group's net debt is defined as total debt minus cash at bank and on hand. Shareholders' equity represents equity attributable to shareholders of the parent company presented in statement of changes in shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or fund new borrowings to decrease liability.

Cash at bank and on hand and liabilities as at 31 December is as follows:

	Note V	<b>2017</b>	2016
		<b>RMB</b>	RMB
			(Restated)
Cash at bank and on hand	1	<b>1,813,515,419.32</b>	1,609,918,437.06
Less: Short-term loans	21	<b>212,806,642.67</b>	45,000,000.00
Long-term loans within one year	30	<b>65,288,121.58</b>	45,347,000.63
Long-term loans	31	<b>500,075,133.02</b>	232,425,730.93
Bonds payable	32	<b>775,310,816.19</b>	774,170,794.08
Total loans		<b>1,553,480,713.46</b>	1,096,943,525.64
Net cash at bank and on hand		<b>260,034,705.86</b>	512,974,911.42



**VIII. OTHER SIGNIFICANT MATTERS** *(Continued)***4 Post balance sheet date events***1) Payment of cash dividends of ordinary shares proposed after the balance sheet date*

On 21 March 2018, the Board of Directors approved to recommend distribution of final dividend of 2017 of the Company of RMB0.16 before tax per share, totalling RMB 127,975,648.00, calculated based on the total number of shares of 799,847,800 of the Company as of 31 December 2017. Such cash dividends proposed after the balance sheet date are not recognised as a liability.

*2) Proposed asset swap after the balance sheet date*

On 21 December 2017, the Group and Yueyun Investment Management, which is a subsidiary of GCGC, entered into an asset swap agreement, pursuant to which the Group will conduct an asset swap with Yue Yun Investment Management to acquire 100% equity interest in Meizhou Yueyun from Yueyun Investment Management by way of transferring the Group's 100% equity interest in Guangdong South China Logistics Enterprise Limited to Yueyun Investment Management. The above Asset Swap Agreement shall be subject to the approval by the Group's Board of Directors, general meeting of shareholders and the state-owned assets supervision authority. The Group's Board of Directors approved and proposed above asset swap transaction on 21 December 2017, which was approved by the Group's Extraordinary General Meeting on 19 March 2018.

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**5 Comparative figures**

As described in Note II (35) (a) (iii), the Group has changed certain accounting policies and made retrospective adjustments to comparative figures where required. In addition, as described in Note IV (5), the Group incurred business combination under common control during the year and made retrospective adjustments to the comparative figures as required. The impact of the above adjustments on the comparative figures is shown as below:

	31 December 2016 (Before adjustments)	Effect of business combination under common control	31 December 2016 (After adjustments)
Assets			
Current Assets			
Cash at bank and on hand	1,604,382,476.44	5,535,960.62	1,609,918,437.06
Bills receivable	5,637,453.96	—	5,637,453.96
Accounts receivable	623,510,509.82	—	623,510,509.82
Prepayments	233,863,232.64	—	233,863,232.64
Interest receivable	293,588.08	—	293,588.08
Dividends receivable	3,519,926.87	—	3,519,926.87
Other receivables	377,144,929.57	(10,109,423.77)	367,035,505.80
Inventories	135,781,363.72	—	135,781,363.72
Non-current assets due within one year	6,873,783.84	—	6,873,783.84
Other current assets	38,589,634.34	—	38,589,634.34
Total current assets	3,029,596,899.28	(4,573,463.15)	3,025,023,436.13

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	31 December 2016 (Before adjustments)	Effect of business combination under common control	31 December 2016 (After adjustments)
Assets (continued)			
Non-current assets			
Long-term receivables	37,198,798.73	—	37,198,798.73
Long-term equity investments	237,607,363.86	(61,990.10)	237,545,373.76
Available-for-sale financial assets	563,228.22	—	563,228.22
Investment properties	158,523,723.48	5,830,912.48	164,354,635.96
Fixed assets	2,297,194,626.59	7,866,026.19	2,305,060,652.78
Construction in progress	206,174,372.72	—	206,174,372.72
Intangible assets	969,462,406.61	15,632,994.54	985,095,401.15
Goodwill	96,608,224.33	7,558,101.69	104,166,326.02
Long-term deferred expenses	25,188,719.65	—	25,188,719.65
Deferred tax assets	194,373,308.26	—	194,373,308.26
Other non-current assets	410,400,535.92	7,636.92	410,408,172.84
Total non-current assets	<u>4,633,295,308.37</u>	<u>36,833,681.72</u>	<u>4,670,128,990.09</u>
Total assets	<u><u>7,662,892,207.65</u></u>	<u><u>32,260,218.57</u></u>	<u><u>7,695,152,426.22</u></u>

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	31 December 2016 (Before adjustments)	Effect of business combination under common control	31 December 2016 (After adjustments)
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	45,000,000.00	—	45,000,000.00
Bills payable	462,401,913.99	—	462,401,913.99
Accounts payable	669,433,886.07	306,964.86	669,740,850.93
Advances from customers	234,093,563.11	441,749.24	234,535,312.35
Employee benefits payable	164,711,518.41	193,282.80	164,904,801.21
Taxes payable	133,486,660.35	55,460.57	133,542,120.92
Interest payable	5,095,378.31	—	5,095,378.31
Dividends payable	29,684,164.21	—	29,684,164.21
Other payables	579,127,704.52	861,418.81	579,989,123.33
Non-current liabilities due within one year	124,352,447.02	—	124,352,447.02
Total current liabilities	2,447,387,235.99	1,858,876.28	2,449,246,112.27
Non-current liabilities			
Long-term loans	232,425,730.93	—	232,425,730.93
Bonds payable	774,170,794.08	—	774,170,794.08
Long-term payables	127,549,528.79	110,263.06	127,659,791.85
Long-term employee benefits payable	162,139,949.06	—	162,139,949.06
Provisions	1,100,000.00	—	1,100,000.00
Deferred tax liabilities	32,736,936.59	—	32,736,936.59
Deferred income	530,817,920.44	—	530,817,920.44
Total non-current liabilities	1,860,940,859.89	110,263.06	1,861,051,122.95
Total liabilities	4,308,328,095.88	1,969,139.34	4,310,297,235.22

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	31 December 2016 (Before adjustments)	Effect of business combination under common control	31 December 2016 (After adjustments)
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	799,847,800.00	—	799,847,800.00
Capital reserve	151,749,647.58	33,057,639.97	184,807,287.55
Other comprehensive income	(21,923,638.32)	—	(21,923,638.32)
Special reserve	31,476,221.97	—	31,476,221.97
Surplus reserve	152,853,595.03	—	152,853,595.03
Retained earnings	1,003,132,848.80	(1,358,784.57)	1,001,774,064.23
Total equity attributable to shareholders of the Company	2,117,136,475.06	31,698,855.40	2,148,835,330.46
Non-controlling interests	1,237,427,636.71	(1,407,776.17)	1,236,019,860.54
Total shareholders' equity	3,354,564,111.77	30,291,079.23	3,384,855,191.00
Total liabilities and shareholders' equity	7,662,892,207.65	32,260,218.57	7,695,152,426.22

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VIII. OTHER SIGNIFICANT MATTERS (Continued)

#### 5 Comparative figures (Continued)

	31 December 2016 (Before adjustments)	Effect of business combination under common control	Effect of change in accounting policy	31 December 2016 (After adjustments)
I. Operating income	7,319,263,501.79	2,107,543.57	—	7,321,371,045.36
II. Less: Operating costs	6,039,879,977.47	309,324.60	—	6,040,189,302.07
Taxes and surcharges	60,900,047.14	221,622.97	—	61,121,670.11
Selling and distribution expenses	92,808,514.22	—	—	92,808,514.22
General and administrative expenses	667,255,729.67	1,423,372.09	—	668,679,101.76
Financial expenses	48,055,312.09	(9,378.27)	—	48,045,933.82
Impairment losses	30,733,165.48	117,999.25	—	30,851,164.73
Add: Investment income	26,815,976.13	(200,000.00)	—	26,615,976.13
Gains from asset disposals	—	—	3,311,435.86	3,311,435.86
III. Operating profit	406,446,731.85	(155,397.07)	3,311,435.86	409,602,770.64
Add: Non-operating income	218,547,308.50	14,135.68	(3,478,997.58)	215,082,446.60
Less: Non-operating expenses	14,742,402.28	2,729,698.62	(167,561.72)	17,304,539.18
IV. Profit before income tax	610,251,638.07	(2,870,960.01)	—	607,380,678.06
Less: Income tax expenses	149,539,882.50	2,052.59	—	149,541,935.09
V. Net profit for the year	<u>460,711,755.57</u>	<u>(2,873,012.60)</u>	<u>—</u>	<u>457,838,742.97</u>
Attributable to:				
Shareholders of the Company	336,619,322.19	(1,465,236.44)	—	335,154,085.75
Non-controlling interests	<u>124,092,433.38</u>	<u>(1,407,776.16)</u>	<u>—</u>	<u>122,684,657.22</u>
Net profit from continuing operations	460,711,755.57	(2,873,012.60)	—	457,838,742.97
Net profit from discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	31 December 2016 (Before adjustments)	Effect of business combination under common control	Effect of change in accounting policy	31 December 2016 (After adjustments)
VI. Other comprehensive income, net of tax				
(I) Items that will not be reclassified to profit or loss				
1. Remeasurement of defined benefit plan liability	(882,288.00)	—	—	(882,288.00)
(II) Items that may be reclassified subsequently to profit or loss				
1. Translation differences arising from translation of foreign currency financial statements	18,049,333.74	—	—	18,049,333.74
VII. Total comprehensive income for the year	<u>475,005,788.71</u>	<u>—</u>	<u>—</u>	<u>475,005,788.71</u>
Attributable to:				
Shareholders of the Company	346,028,596.87	—	—	346,028,596.87
Non-controlling interests	<u>128,977,191.84</u>	<u>—</u>	<u>—</u>	<u>128,977,191.84</u>
VIII. Earnings per share				
(I) Basic earnings per share	0.44	—	—	0.44
(II) Diluted earnings per share	<u>0.42</u>	<u>—</u>	<u>—</u>	<u>0.42</u>

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	2016 (Before adjustments)	Effect of business combination under common control	2016 (After adjustments)
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services	7,917,740,730.95	—	7,917,740,730.95
Refund of taxes	11,000.00	—	11,000.00
Cash received relating to other operating activities	<u>204,927,460.79</u>	<u>2,237,703.28</u>	<u>207,165,164.07</u>
Sub-total of cash inflows	<u>8,122,679,191.74</u>	<u>2,237,703.28</u>	<u>8,124,916,895.02</u>
Payment for goods and services	5,078,561,778.66	119,872.62	5,078,681,651.28
Payment to and for employees	1,642,745,767.87	391,055.53	1,643,136,823.40
Payment of various taxes	398,957,417.49	336,278.01	399,293,695.50
Payment relating to other operating activities	<u>274,325,208.09</u>	<u>289,932.32</u>	<u>274,615,140.41</u>
Sub-total of cash outflows	<u>7,394,590,172.11</u>	<u>1,137,138.48</u>	<u>7,395,727,310.59</u>
Net cash inflow from operating activities	<u>728,089,019.63</u>	<u>1,100,564.80</u>	<u>729,189,584.43</u>



## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	2016 (Before adjustments)	Effect of business combination under common control	2016 (After adjustments)
II. Cash flows from investing activities:			
Investment returns received	9,162,933.09	—	9,162,933.09
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	24,302,238.28	126.00	24,302,364.28
Sub-total of cash inflows	33,465,171.37	126.00	33,465,297.37
Payment for acquisition of fixed assets, intangible assets and other long-term assets	729,267,108.59	—	729,267,108.59
Payment for acquisition of investments	11,600,000.00	—	11,600,000.00
Net payment for acquisition of subsidiaries	13,317,728.96	—	13,317,728.96
Net payment for acquisition of non-controlling interests	7,881,214.98	(7,881,214.98)	—
Sub-total of cash outflows	762,066,052.53	(7,881,214.98)	754,184,837.55
Net cash outflow from investing activities	(728,600,881.16)	7,881,340.98	(720,719,540.18)

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

## 5 Comparative figures (Continued)

	2016 (Before adjustments)	Effect of business combination under common control	2016 (After adjustments)
III. Cash flows from financing activities:			
Proceeds from investors	27,600,400.00	—	27,600,400.00
Proceeds from borrowings	304,594,500.00	—	304,594,500.00
Proceeds relating to other financing activities	5,362,064.42	—	5,362,064.42
Sub-total of cash inflows	<u>337,556,964.42</u>	—	<u>337,556,964.42</u>
Repayments of borrowings	440,743,038.27	—	440,743,038.27
Payment for profit distributions or interest	233,207,816.85	—	233,207,816.85
Including: Profits paid to non-controlling shareholders by subsidiaries	89,657,531.58	—	89,657,531.58
Payment for acquisition of non-controlling interests	—	7,881,214.98	7,881,214.98
Payment for fractional shares relating to the conversion of convertible securities	1,580.00	—	1,580.00
Sub-total of cash inflows	<u>673,952,435.12</u>	<u>7,881,214.98</u>	<u>681,833,650.10</u>
Net cash outflow from financing activities	<u>(336,395,470.70)</u>	<u>(7,881,214.98)</u>	<u>(344,276,685.68)</u>

**VIII. OTHER SIGNIFICANT MATTERS** (Continued)**5 Comparative figures** (Continued)

	2016 (Before adjustments)	Effect of business combination under common control	2016 (After adjustments)
IV. Effect of foreign exchange rate changes on cash and cash equivalents	8,159,283.73	—	8,159,283.73
V. Net decrease in cash and cash equivalents	(328,748,048.50)	1,100,690.80	(327,647,357.70)
Add: Cash and cash equivalents at the beginning of the year	1,923,407,216.22	4,435,269.82	1,927,842,486.04
VI. Cash and cash equivalents at the end of the year	1,594,659,167.72	5,535,960.62	1,600,195,128.34

**6 Possible impact of standards issued but not yet effective for the year ended 31 December 2017**

Up to the date of issue of these financial statements, the Ministry of Finance has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group's financial statements in subsequent periods.

- Accounting Standard for Business Enterprises No.14 - Revenue (Revised) (the "New Revenue Standard")
- Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments (Revised) and Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (Revised) (the "New Standards for Financial Instruments")

The Group plans to apply the amendments, new standards and interpretations from 1 January 2018. The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impacts on the Group's financial statements. The actual impacts upon the initial adoption of the standards above may differ as the assessment completed to date is based on the information currently available to the Group. Before the standards above are initially applied in the Group's financial statements, further impacts may be identified and the Group may also change its accounting policy elections. Further details of the expected impacts are discussed below.

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6 Possible impact of standards issued but not yet effective for the year ended 31 December 2017

(Continued)

#### 1) *New Standards for Financial Instruments*

The New Standards for Financial Instruments introduce new requirements for classification and measurement of financial assets, including new requirements for the measurement of impairment for financial instruments. On the other hand, the New Standards incorporate without substantive changes the requirement for the classification and measurement of financial liabilities.

The New Standards for Financial Instruments are required to be initially applied on a retrospective basis, and the relevant transitional adjustments shall be recognised at the beginning of the annual period that includes the date of initial application in the opening retained earnings or other comprehensive income of the annual reporting period that includes the date of initial application. If an entity restates comparatives, this is allowed only if this is possible without the use of hindsight and the restated comparatives should reflect all the requirements of New Standards for Financial Instruments.

Expected impacts of the new requirements on the Group's financial statements are as follows:

#### a) Classification and measurement

The New Standards of Financial Instruments contains three principal classification categories for financial assets: measured at (a) amortised cost, (b) fair value through other comprehensive income and (c) fair value through profit or loss as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as fair value through other comprehensive income then interest revenue, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is fair value through profit or loss regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as fair value through other comprehensive income. If an equity security is designated as fair value through other comprehensive income then only dividend income on that security will be recognised in profit or loss. Gains and losses on that security will be recognised in other comprehensive income without recycling.

**VIII. OTHER SIGNIFICANT MATTERS** *(Continued)***6 Possible impact of standards issued but not yet effective for the year ended 31 December 2017***(Continued)*1) *New Standards for Financial Instruments (Continued)*a) Classification and measurement *(Continued)*

The Group has assessed that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements upon the adoption of the New Standards for Financial Instruments.

The available-for-sale financial assets currently held by the Group are investment in equity instruments that do not have a quoted price in an active market and whose fair value cannot be measured reliably, and are measured at cost. The New Standards for Financial Instruments require that such investment in equity instruments should be measured at their fair value on the date of initial application. The difference between the previous carrying amount and the fair value at the date of initial application should be recognised at the beginning of the annual period that includes the date of initial application in the opening retained earnings or other comprehensive income of the annual reporting period that includes the date of initial application. As the Group's amount of assets currently classified as available-for-sale financial assets is insignificant, the Group considers that this change in accounting policy will not have a significant impact on the Group's financial statements.

## b) Impairment

The new impairment model in the New Standards for Financial Instruments replaces the "incurred loss" model in Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances.

## VIII. OTHER SIGNIFICANT MATTERS (Continued)

### 6 Possible impact of standards issued but not yet effective for the year ended 31 December 2017

(Continued)

#### 2) New Revenue Standard

The New Revenue Standard establishes a comprehensive framework for recognising revenue from contracts with customers. It will replace the existing revenue standards promulgated in 2006, namely Accounting Standards for Business Enterprises No.14 - Revenue, which covers revenue arising from sale of goods and the rendering services, and Accounting Standards for Business Enterprises No.15 - Construction Contract, which specifies the accounting for revenue from construction contracts.

Under the New Revenue Standard, entities shall use transfer of control as the criteria to determine the timing of revenue recognition rather than transfer of risks and rewards of ownership, entities shall fulfill the performance obligations in the contract, i.e. revenue is recognised when the customer obtains the control of the promised goods in the contract.

Currently, the Group's revenue mainly derives from sale of goods, rendering of services and construction contracts etc. The Group's revenue recognition accounting policies are disclosed in Note II (25). The Group is currently assessing the impact of the application of the New Revenue Standard on the financial statements. Whether the change in the accounting policy has a significant impact on the Group's financial statements is subject to the Group's completion of the assessment.



**廣東粵運交通股份有限公司**

Guangdong Yueyun Transportation Company Limited