



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)



粵運能源 YUEYUN ENERGY



INTERIM REPORT
2018



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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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



Company Profile

Guangdong Yueyun Transportation Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are a leading travel services provider within the Guangdong Province. The Company was established in 1999 and became listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 03399) in 2005. Currently, the total share capital of the Company is 799,847,800 shares, with approximately 74.12% being held by its controlling shareholder, Guangdong Provincial Communication Group Company Limited (“**GCGC**”), and approximately 25.88% being held by H shareholders. The Company was included as a constituent of the MSCI Small Cap Indexes – China by Morgan Stanley Capital International Inc.

The Group is principally engaged in the travel services business which is categorized into:

Travel Service Segment:

- ❖ Road Passenger Transportation and Auxiliary Services
- ❖ Service Zones Operation
 - Energy Business
 - Convenience Stores Retail Business
 - Merchant Solicitation Business
 - Advertising Media Business
- ❖ Operation of Taiping Interchange Assets

The Groups is also engaged in material logistics business and other business.

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”, focus on creating a travel services integrated platform, further develop the transportation resources and endeavor to become an integrated transportation service group at international level.

Company Information

LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

STOCK CODE

03399

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BOARD OF DIRECTORS

Executive Directors

Xuan Zongmin
Tang Yinghai
Yao Hanxiong
Wen Wu
Guo Junfa

Non-Executive Directors

Li Bin
Chen Min

Independent Non-Executive Directors

Jin Wenzhou
Lu Zhenghua
Wen Huiying
Zhan Xiaotong

COMPANY SECRETARY

Zhang Li

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PRINCIPAL BANKS

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Financial Highlights

	For the six months ended 30 June 2018 RMB'000	For the six months ended 30 June 2017 RMB'000 (Restated)	Change
Results highlights			
Operating income			
Travel services	2,600,573	2,454,180	6%
Material logistics	579,920	934,179	(38%)
Other business	2,984	2,196	36%
Total operating income	3,183,477	3,390,555	(6%)
Gross Profit			
Travel services	513,160	647,118	(21%)
Material logistics	45,387	97,757	(54%)
Other business	(234)	(3,081)	(92%)
Total gross profit	558,313	741,794	(25%)
Taxes and surcharges	(22,347)	(21,896)	2%
Selling and distribution expenses	(30,259)	(38,941)	(22%)
General and administrative expenses, and research and development expenses	(324,890)	(338,426)	(4%)
Finance expenses	(31,861)	(24,841)	28%
Impairment losses	(3,049)	(2,562)	19%
Reversal/(accrual) of credit losses	47,966	(13,356)	(459%)
Other income	105,841	39,988	165%
Investment income	22,394	25,101	(11%)
Gains from asset disposals	261	114	129%
Operating profit	322,369	366,975	(12%)
Non-operating income and expenses	(1,299)	5,251	(125%)
Total profit	321,070	372,226	(14%)
Income tax expenses	(85,046)	(100,823)	(16%)
Net profit	236,024	271,403	(13%)
Profit and loss attributable to minority interests	(27,367)	(44,092)	(38%)
Net profit attributable to shareholders of the Company	208,657	227,311	(8%)
Basic earnings per share (RMB)	0.26	0.28	(7%)
Diluted earnings per share (RMB)	0.26	0.28	(7%)

Financial Highlights

	2018	2017	
	30 June	31 December	Change
	RMB'000	RMB'000	
		(Restated)	
Results highlights			
Total assets	7,977,335	9,183,627	(13%)
Total net assets	3,512,013	3,678,240	(5%)
Equity attributable to shareholders of the Company	2,263,612	2,477,052	(9%)
Net assets per share attributable to owners of the Company (RMB)	2.83	3.10	(9%)
	<u> </u>	<u> </u>	<u> </u>
	For the six	For the six	
	months ended	months ended	
	30 June 2018	30 June 2017	Change
		(Restated)	
Gross profit margin	17.54%	21.88%	(20%)
Interest coverage ratio (times)	10.18	13.54	(24%)
	<u> </u>	<u> </u>	<u> </u>
	2018	2017	Change
	30 June	31 December	
		(Restated)	
Gearing ratio	55.97%	59.95%	(7%)
Current ratio (times)	1.30	1.15	13%
	<u> </u>	<u> </u>	<u> </u>

Gross profit margin = Gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

Chairman's Statement

In the first half of 2018, China's economic operation was generally stable and showed strong resilience of economic growth. The Chinese government took "Risk Prevention and Deleveraging" as one of the three major tough battles this year. The government took the fiscal initiatives to clean up, rectify and adjust downward the deficit rates, resulting in a lingering low growth rate of nationwide fixed-asset investment, relatively large year-on-year decrease in growth rate of infrastructure construction investment, steady growth of real estate investment and further declined growth rate of state-owned investment. Total retail sales of consumer goods met growth expectation, basic role of consumption strengthened, consumption structure shifted from physical consumption to services expansion, while the role of the service industry in economic growth was further enhanced. Expenditure of resident service consumption and government consumption was accelerated, and retail sales of online consumption grew at a relatively fast rate. Affected by the trade war between China and the United States, Renminbi appreciation and other factors, competitive strength in export weakened, the trade surplus of China's goods narrowed, and the pulling effect of net exports on GDP growth weakened.

The structure of transportation and travel continued to experience change. In the first half of 2018, the passenger traffic volume and passenger transportation turnover of railway transportation showed continuous growth momentum year-on-year. Civil aviation transportation achieved a relatively fast year-on-year growth in passenger transportation volume and passenger transportation turnover, while road passenger transportation showed a trend of declining share in the whole transportation system, mainly due to the rapid development of high-speed railways, the surging growth of private cars, and the scale expansion of online taxi booking operations. The passenger diversion caused by the substitution effect intensified the competitiveness of, and imposed severe challenges to, the road passenger transportation market. Nevertheless, in view of the supply side structural reform of the transportation industry, the gradual completion of construction of the modern integrated transportation system, and the deepened application and practice of "Internet +" thinking in road passenger transportation, there will be new development opportunities for road passenger transportation.

With the forthcoming development of the Guangdong, Hong Kong and Macao Bay Area, the Group actively seized the development opportunities of the Bay Area and took the "13th Five-Year Plan Strategic Development Plan" as the guideline for action to nurture the Group's travel business in the Guangdong, Hong Kong and Macao Bay Area, and accelerated the construction of the comprehensive transportation network system in the Bay Area. Meanwhile, to better cope with the profound changes in the travel service market, the Group firstly adjusted the structure of transportation business with the support of informationization to actively promote the development of intelligent transportation (智慧交通) for the construction of an integrated comprehensive travel service platform to enhance operation efficiency. Secondly, the Group changed its mode of development by centering around customer demands to fully promote public services and commercial services construction within the service zones and extend the industrial chain of transportation business. The third was the promotion of various reforms to strengthen the overall budget management, reinforce cost awareness, optimize human capital structure and reduce production and operation costs to enhance endogenous quality of the enterprise. The fourth was the enhancement of management standards to optimize organization assurance, accelerate financial management transformation, and focus on preventing and resolving operation risks. The fifth was the active promotion of return to A-share market process to better utilize the capital market to improve the quality of upgrade momentum. The Group will continue to accelerate the pace of corporate transformation and upgrading to drive the Company to a new stage of high-quality development at full swing.

Key business developments of the Group in the second half of 2018 are as follows:

1. Road passenger transportation and supports

- (1) The Group will adjust the structure of transportation business, reduce operating costs and increase effective supply to meet market demand, with focus on increasing the shares of short-distance transportation in the overall passenger transportation structure, and increase the market shares of urban and rural passenger transportation, urban public transportation and rural passenger transportation.
- (2) Efforts will be put on active promotion of construction of the online taxi booking platform and qualification application to build an integrated comprehensive travel service platform; and on enhancing the operation capabilities of the Internet platform by adjusting the models, grades and service standards of vehicles for quick response to market demands.
- (3) The Group will actively promote its companies in various regions to develop bus business, strive to adopt the TC (Transport Community) model to expand the bus business, and use pure electric vehicles to carry out public transportation transformation for eligible rural passenger transport lines.
- (4) The Group will vigorously develop chartered car business, and develop diversified and differentiated travel services such as business travel, car charter service, customized shuttle bus, campus bus, commuting-to-and-from-work services, real estate shuttle buses and airport shuttle buses.
- (5) Overall plan will be made to accelerate entry into the tourism market. In response to market conditions, the Group will promote upgrade and transformation of part of existing passenger stations into tourism distribution centers, strengthen development of local tourism lines, and cooperate with local travel agencies to develop intra-provincial travel.
- (6) By active participation in constructing the comprehensive transportation network system of the Guangdong, Hong Kong and Macao Bay Area, the Group will endeavor to provide support and coordination for the shuttle bus franchise project of the Hong Kong-Zhuhai-Macao Bridge.
- (7) According to the implementation plan of the Company's resources integration, the Company will organize the construction of the distribution network, and gradually develop warehousing and distribution services such as convenience stores, auto parts and oil products.
- (8) The Group will continue to cultivate the "FLY-E Bus Express (網上飛巴士速遞)" business for creation of a leading enterprise in the "Internet + commerce circulation (商貿流通)" in the cross-city same-day arrival market segment; and accelerate introduction of major passenger station networks in Shenzhen, Dongguan, Zhuhai, Zhongshan, Huizhou, Chaozhou, Zhanjiang, Yunfu, Shantou and Jieyang, etc., to realise the layout of a small parcel express delivery in the province.

Chairman's Statement

2. Service zones operation

- (1) Accelerate the construction, investment and operation of gas stations, and build new gas stations in service zones including Jinzao, Duozhu, Xuwen and Nibei, with the total number of self-operated gas stations to reach 31.
- (2) Actively develop the sales networks of gas stations, explore the layout of gas stations in the entrances and exits of expressway sections, and explore expanding the layout of small and medium-sized gas depots.
- (3) Strengthen internal control, promote standardized construction of gas stations, and create "four standardization" with "Yueyun Energy Demonstration Station (創粵運能源示範站)" as a starting point to establish and improve the internal management and control procedures and risk control system for the energy business.
- (4) Explore marketing to enhance brand awareness on an on-going basis, and continue to implement various forms of "one station, one strategy" marketing strategies such as gas card recharge promotion activities, listing price reduction interaction (掛牌降價), and fuel and non-fuel business interaction (油非互動). Strengthen business synergy and continue to develop the "Guangdong Express" fixed-point refueling business.
- (5) Plan for layout construction of charging piles, cooperate with other enterprises, and plan to build 36 charging piles in service zones. Utilize existing bus charging pile network to lay out the urban charging pile network in advance.
- (6) Starting from network expansion, supply chain management, category-enrichment, marketing promotion, etc., to enhance the brand awareness and economic benefits of the "Yueyun Loyee" business, and further expand the scale of stores in the community, schools and urban airport expressways.
- (7) Promote the Dahuai project in full swing and strive to reach the standard for commencement of operation by the end of 2018 to build a nation-wide model benchmark service area. The upgrading and reconstruction projects in the service zones of Lixi, Dianbai and Baisha will be actively proceeded for creation of a special service zone according to local conditions.
- (8) The advertising media business will target customers in the transportation and travel types of online businesses to vigorously develop direct sales customers and large-scale strategic cooperation customers, further increasing the market operation capability of the advertising business.

Chairman's Statement

The Main Business Objectives and Arrangement of Investment Funds of the Second Half of 2018

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

Xuan Zongmin

Chairman

Guangzhou, PRC

21 August 2018

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2018, changes in the domestic passenger road transportation market intensified the impact on the traditional passenger transportation industry. By following the “13th Five-Year” Strategic Development Plan as an action guideline, and adhering to the five key objectives of “adjusting the structure, changing the approaches, facilitating the reforms, emphasizing on management, and strengthening the Party”, the Group practically adjusted the structure of passenger services available by focusing on satisfying the users’ demand for travel services, accelerated the intensive growth of passenger business by focusing on further exploiting network resources and value, actively facilitated the transformation and upgrading of the integrated platform for comprehensive travel services by focusing on deepening the synergies among various businesses, and solidly improved the operational management efficiency by focusing on reinforcing the “Internet+” information technology construction.

The Group always focused on the core business of travel services, actively encouraged upgrading in consumption, highly emphasized on enhancing the development quality of the travel service industry, provided new driving forces continuously for the operational development of the Company by further developing the service zones and expanding the networks of “Yueyun Energy” gas stations and “Yueyun Loyee” convenience stores, and promoted the transformation and upgrading of the travel service industry by adopting intelligent transportation means. In the first half of 2018, the businesses of the Group’s energy, convenience stores retail, rescue, advertising media and other businesses maintained steady growth. The Group highly emphasized on capital operations, actively promoted the Company’s return to the A-share market and explored the new development mode driven by the “twin wheels” of “industry + capital”.

The Group reinforced research on industry policies, proactively sought for support from governments at all levels to transform and upgrade the travel service industry, actively promoted orderly competition and healthy development of the transport industry with a strong sense of social responsibility, and strived to provide more comfortable, convenient and fast travel services for the public. Meanwhile, control on the costs of operation and management was strengthened, budgetary management controls were fully imposed and cost structure was optimized to manage and improve the internal control system with a refined mechanism to prevent and eliminate risks. The Group made continuous efforts to achieve higher quality, more efficient, more equitable and more sustainable development.

Management Discussion and Analysis

Travel Services Segment

1. *Road passenger transportation and auxiliary services*

In response to changes in the travelling needs and forms, integrated operation of the passenger business was enhanced by fully utilizing the advantages of the network resources, exerting prominent efforts to adjust the business structure, optimizing and consolidating resources of traditional routes, adjusting and optimizing the structure of transportation capacities, as well as expanding charter coach business and customized routes in a multi-dimensional approach. By adhering to the development mode of “exploring the downstream market”, continuous progress was made to reclaim contracted vehicles for self-operation, integrated development between urban and rural public transportation services was accelerated, urban and rural passenger transportation markets with higher potential were developed, micro-circular routes of road transportation were actively built for merging with the high-speed railway and air transportation segments. The policy of “One County One Target” for consolidation of transportation resources was actively promoted, and the new mode of operation through organic combination of franchised routes and areas was explored to enhance the comfort and convenience of travelling.

Through active participation in the construction of the integrated traffic and transportation network system in the Guangdong, Hong Kong and Macao Bay Area, and by capturing the opportunity of operation of the Hong Kong-Zhuhai-Macao Bridge, the auxiliary services and coordination of the Hong Kong-Zhuhai-Macao Bridge shuttle bus franchise project were prepared well, enabling early arrangement for building the cross-border platform to accelerate the development of cross-border travel service business and accelerated the replication of the “cross-border + domestic transportation” travel mode.

The structure of the terminal business was adjusted, full efforts were dedicated to build the “four-in-one” integrated service station at passenger terminals by exploring the innovative operation model of retail business, focusing on the standard construction of franchise, operation, management and control segments, and active efforts were made to explore transformation in community and cities. Upgrading of passenger terminals into tourist gathering and distribution centres was promoted, cooperation with travel agencies of local region and other provinces was enhanced and specific tourist routes were developed, overall planning was made to accelerate entry into the tourism market, the O2O business model of “transportation + tourism” was actively explored.

Management Discussion and Analysis

The Group initiated the construction of a platform for online booking of vehicles and for application of qualifications during the first half of the year, the organization method for travel service was optimized, and an application for certification of online service capability for nationwide services was submitted to the Transport Department of Guangdong Province. To implement the innovative model of “Internet + Transportation” actively, the Group strategically cooperated with Tencent Cloud to explore the use of mobile payment, big data, cloud computing and mobile internet to improve the intelligent travel solutions for realizing transformation and upgrading of “smart transportation”, to the operating capability of internet platform and to provide differentiated travel services and products to meet market competition and challenges actively. The WeChat public platform of Yueyun Transport and the Yuexing (悦行) App were major platforms for marketing and promotion of the online transportation business. Online ticketing amount recorded significant growth. By focusing on user demand and diversifying marketing measures, the standard of user service was enhanced and consumption experience of users were optimized.

Guangdong Yueyun Traffic Rescue Co., Ltd., a subsidiary of the Company, is a leading vehicle rescue service unit in China. Through optimizing the establishment of the stations, improving online and offline expressway vehicle rescue service systems, creating high-standard, real-case simulated and multi-functional training sessions and training bases for rescue skills, reinforcing service and technological output, the branding effect was further enhanced, and it became a technical consulting partner unit designated by the Hong Kong-Zhuhai-Macao Bridge Authority. Endeavours were made by the Group to nurture the business of automobile after-sales service. By focusing the demand for travel vehicles, leveraging on the brand advantages of Yueyun and on the basis of the road rescue business, upstream and downstream extension was gradually expanding along the industrial chain to, among other things, driver training, automobile rental, vehicle repair and maintenance service and insurance, thus the travel service integrated platform was more comprehensive.

We continued to nurture the “FLY-E Bus Express” (網上飛巴士速遞) business. “FLY-E Bus Express” business of the Group achieved full coverage among cities within the Guangdong Province. We have connected an online network over a fully utilized platform system, established a network-wide mechanism for uniform pricing, uniform settlement, uniform regulated service standards and management system. We strived to create a leading enterprise of “Internet + commerce and trade circulation” in the market sub-segment of same day delivery for cross-cities transactions. During the first half of 2018, the number of orders on the small parcel express delivery platform reached 0.628 million with an operation income of RMB22.072 million.

Management Discussion and Analysis

2. Service Zones Operation

(1) Energy Business

The Group highly valued the brand building of “Yueyun Energy”, expanded the sales network of Yueyun gas stations step-by-step according to the strategic plans of the Company, enhanced refined management of gas stations and internal control mechanisms, management and control on quality of petroleum products strengthened, and effectively controlled wastage of petroleum products. The “One Station One Strategy” concept was adopted in marketing strategies. An all-staff marketing concept was established, an incentive and appraisal system linking petroleum tonnage to staff was formulated, the Yueyun Energy store value card was actively promoted, the customer service was optimized, and customer loyalty was enhanced. By reinforcing business synergies, “Yueyun Energy” gradually realized supplying petroleum to passenger transportation companies of the Group and fuel costs were effectively reduced. Benchmark management was implemented, efforts were dedicated to build the Shachong (沙涌) gas station into a standard “Yueyun Energy” benchmark gas station to achieve the overall objective of realizing “Unified Standard” for the gas stations of Yueyun Energy. In the first half of 2018, the scale of the energy business of the Group has grown rapidly, the operating profit margin of the energy business of the Group was still better than the average of other listing companies with similar business even though increase in sales allowances and decrease in the differences between the wholesale price and the retail price.

According to the business plans of charging piles of the Company, priority construction for inter-city power charging facilities was initiated on national expressways within Guangdong Province according to the requirements of “One Vertical, One Horizontal and Two Radial” and as an auxiliary service in the service zones of expressways in the Pearl River Delta Region, and construction of charging facilities at expressways was increasing steadily. Currently, the Company has built 37 operating charging stations and 114 charging piles in service zones within Guangdong Province.

(2) Convenience Stores Retail Business

The Group’s “Yueyun Loyee” convenience stores continued to expand mainly in the service zones of expressways and a sizable network was shaping up. Branding promotions of the Loyee convenience stores were highly emphasized to create a Loyee flagship store as an opportunity to realize the fusion of multiple businesses, including retail business, travel service, sales of travelling and transportation products, coach courier delivery and sales of agricultural and special products, to enhance the brand value.

Management Discussion and Analysis

(3) Merchant Solicitation Business

The innovative service zone adopted the operation model of self-planning, self-investment and construction, and commercial development to actively promote the thematic expansion project of "Qiaoxiang Township" (僑鄉小鎮) in Dahuai. Meanwhile commercial upgrading and transformation projects were also actively proceeded in the service zones of Baisha, Dianbai, Dahuai and Lixi in 2018. Consumption upgrading was actively encouraged, consumption scenarios in service zones were continuously optimized, the public service functions were greatly improved, "Toilet Revolution" was firmly enforced, plantation of greenery was increased to enhance environmental landscaping, and free Wi-Fi service was provided in 25 pairs of service zones. The business of automobile after-sales service was provided in all service zones, cooperation with professional automobile maintenance service providers was contemplated to commence branded auto-owner VIP service and automobile overhaul service. We strived to turn service zones into basic public service platforms, gathering and distribution platforms for passenger traffic and logistic flows, platforms for consumption, leisure, entertainment and merchandise display, as well as internet information data collection platforms.

(4) Advertising Media Business

The Group actively facilitated Guangdong Highway Media Co., Ltd. (廣東省高速傳媒有限公司), a subsidiary of the Company, to transform and upgrade from a traditional outdoor self-owned advertising media agency to an operator of integrated platform of media resources in transportation system. The number of direct marketing customers in advertising increased in the first half of 2018, the vacancy rate of advertising resources decreased, efforts were dedicated to enhance the development capabilities of resources and marketing channels, formulation capabilities of precise communication plans and capabilities to operate platforms.

3. Operation of Taiping Interchange Assets

During the first half of 2018, the total traffic volume at the Taiping Interchange reached 21.84 million vehicles, the daily average traffic volume was 0.12 million vehicles, representing a year-on-year increase of 4.9%, reaching a record high of traffic volume.

Material Logistics Segment

In the first half of 2018, the Group has completed the disposal of Guangdong South China Longistics Enterprise Company Limited and its subsidiaries ("**South China Longistics Enterprise Group**"), which is principally engaged in the provision of material logistics services, and will continue to perform the relevant work of material supply inventory business during the second half of the year.

Management Discussion and Analysis

FINANCIAL REVIEW (information for 2017 has been restated)

The Group's interim results for the six months ended 30 June 2018

For the six months ended 30 June 2018, operating income of the Group amounted to RMB3,183.477 million (the corresponding period in 2017: RMB3,390.555 million), representing a year-on-year decrease of RMB207.078 million or 6%. The year-on-year decrease in operating income was due to the disposal of the South China Logistics Enterprise Group in the period. Gross profit amounted to RMB558.313 million (the corresponding period in 2017: RMB741.794 million), representing a year-on-year decrease of RMB183.481 million or 25%. The year-on-year decrease in gross profit was due to (i) the disposal of the South China Logistics Enterprise Group in the period; and (ii) the impact of travel methods such as online taxi booking on road passenger transportation and auxiliary services, resulting in a year-on-year decrease in income; (iii) the overall upgrading of the "toilet revolution" in service zones and passenger terminals, resulting in a year-on-year increase in construction and labor cost.

For the six months ended 30 June 2018, the Group realized net profit of RMB236.024 million (the corresponding period in 2017: RMB271.403 million), representing a year-on-year decrease of RMB35.379 million or 13%; net profit attributable to the shareholders of the Company (the "Shareholders") was RMB208.657 million (the corresponding period in 2017: 227.311 million), representing a year-on-year decrease of RMB18.654 million or 8%; basic earnings per share was RMB0.26 (the corresponding period in 2017: RMB0.28 per share), representing a decrease of 7%. The decrease in net profit attributable to the Shareholders was mainly due to the disposal of the South China Logistics Enterprise Group and a year-on-year decrease in gross profit from road passenger transportation and auxiliary services.

As at 30 June 2018, the asset to liability ratio of the Group was 55.97% (31 December 2017: 59.95%), which signified a further strengthening of capital structure; the current ratio was 1.30 (31 December 2017: 1.15), representing an increase of 13%. The Group's solvency was further bolstered.

In accordance with the requirements under the CAS No.22 - Financial instruments: Recognition and measurement (revised), the CAS No.23 - Transfer of Financial assets (revised), the CAS No.24 - Hedging (revised) and the CAS No.37 - Presentation and Disclosures of Financial Instruments (revised) (collectively, the "new financial instruments standards"), the Group have applied the new financial instruments standards since 1 January 2018 and replaced the "incurred loss" model in the old financial instruments standards with the ECL model. The Group has applied the classification and measurement requirements (including impairment) of the new financial instruments standards retrospectively to the items under certain specific circumstances in accordance with the transition requirements, and comparative information has been restated. In light of the adjustment made according to the new financial instruments standards, the Group's net profit for the six months ended 30 June 2017 decreased by RMB7.002 million, the shareholder's equity of the Group as at the end of 2017 decreased by 45.666 million, and the total asset of the Group as at the end of 2017 decreased by 45.666 million. Despite the effects of restatements on the net profit, the shareholder's equity and the total asset of the Group, its overall impact on the financial position during the reporting period is immaterial. Particulars of changes on relevant standards are disclosed in page 95 to 100 of this interim report.

Management Discussion and Analysis

Operating income

Operating income of the Group for the first half of 2018 was mainly derived from travel services business segment. Operating income of the Group for the first half of 2018 amounted to RMB3,183.477 million (the corresponding period in 2017: RMB3,390.555 million), representing a year-on-year decrease of RMB207.078 million or 6%, which was mainly due to the disposal of the South China Logistics Enterprise Group in the period.

Operating income by business segments:

	As at 30 June 2018		As at 30 June 2017	
	RMB'000	Percentage	RMB'000	Percentage
Travel services	2,600,573	82%	2,454,180	72%
Material logistics	579,920	18%	934,179	28%
Other business	2,984	0%	2,196	0%
Total	<u>3,183,477</u>	<u>100%</u>	<u>3,390,555</u>	<u>100%</u>

1. Travel services segment

Travel services segment is the major source of the Group's operating income. Operating income of such business amounted to RMB2,600.573 million (the corresponding period in 2017: RMB2,454.180 million) for the first half of 2018, representing a year-on-year increase of RMB146.393 million, or approximately 6%, and accounting for approximately 82% (the corresponding period in 2017: 72%) of the Group's total operating income, of which:

- (1) Road passenger transportation and auxiliary services recorded operating income of RMB1,715.103 million (the corresponding period in 2017: RMB1,751.617 million) for the first half of 2018, representing a year-on-year decrease of RMB36.514 million or approximately 2%, which was due to the impact of alternative travel methods such as online taxi booking, self-driving tour and rail transportation.
- (2) Service zones operation recorded operating income of RMB778.210 million (the corresponding period in 2017: RMB602.467 million) for the first half of 2018 representing a year-on-year increase of RMB175.743 million or 29%, which was due to a substantial increase in income from the business of energy and convenience stores. Among which:
 - a) For energy business, the operating income amounted to RMB403.647 million (the corresponding period in 2017: RMB271.644 million) for the first half of 2018, representing a year-on-year increase of RMB132.003 million or 49%, mainly from a year-on-year increase of self-operated gas stations income.

Management Discussion and Analysis

- b) For convenience stores retail business, the operating income amounted to RMB230.292 million (the corresponding period in 2017: RMB186.575 million) for the first half of 2018, representing a year-on-year increase of RMB43.717 million or 23%.
 - c) For merchant solicitation business, the operating income amounted to RMB105.262 million (the corresponding period in 2017: RMB106.866 million) for the first half of 2018, representing a year-on-year decrease of RMB1.604 million or 2%.
 - d) For advertising media business, the operating income amounted to approximately RMB39.009 million (the corresponding period in 2017: RMB37.382 million) for the first half of 2018, representing a year-on-year increase of RMB1.627 million or 4%.
- (3) For operation of Taiping Interchange Assets, the operating income amounted to approximately RMB107.260 million (the corresponding period in 2017: RMB100.096 million) for the first half of 2018, representing a year-on-year increase of RMB7.164 million or 7%. The increase was mainly due to growth of the traffic flow.

2. Material logistics segment

Material logistics segment recorded operating income of RMB579.920 million (the corresponding period in 2017: RMB934.179 million) for the first half of 2018, representing a year-on-year decrease of RMB354.259 million, or 38%, and accounting for approximately 18% (the corresponding period in 2017: 28%) of the Group's total operating income. The decrease in operating income was mainly due to the disposal of the South China Logistics Enterprise Group in the period.

Gross profit

Gross profit of the Group for the first half of 2018 amounted to RMB558.313 million (the corresponding period in 2017: RMB741.794 million), representing a year-on-year decrease of RMB183.481 million or 25%. Gross profit margin was 17.54% (the corresponding period in 2017: 21.88%).

Gross profit by business segments:

	As at 30 June 2018		As at 30 June 2017	
	RMB'000	Percentage	RMB'000	Percentage
Travel services	513,160	92%	647,118	87%
Material logistics	45,387	8%	97,757	13%
Other business	(234)	(0%)	(3,081)	(0%)
Total	<u>558,313</u>	<u>100%</u>	<u>741,794</u>	<u>100%</u>

Management Discussion and Analysis

1. Travel Services Segment

The travel services segment recorded gross profit of RMB513.160 million in the first half of 2018 (the corresponding period in 2017: RMB647.118 million), representing a decrease of RMB133.958 million or 21% as compared to the corresponding period in 2017, the gross profit margin was 20% (the corresponding period in 2017: 26%). The decrease in gross profit was mainly due to a decrease in operating income from road passenger transportation and auxiliary services and a decrease in gross profit caused by an increase in depreciation costs as compared to the corresponding period in 2017.

- (1) Road passenger transportation and auxiliary services generated gross profit of RMB291.543 million in the first half of 2018 (the corresponding period in 2017: RMB419.254 million), representing a year-on-year decrease of RMB127.711 million, or 30%. Gross profit margin was 17% (the corresponding period in 2017: 24%). The decrease in gross profit was mainly due to a decrease in operating income and an increase in depreciated costs.
- (2) The business of service zones operation recorded a gross profit of RMB129.160 million in the first half of 2018 (the corresponding period in 2017: RMB140.482 million), representing a year-on-year decrease of RMB11.322 million or approximately 8%, and the gross profit margin was 17% (the corresponding period in 2017: 23%). The decrease in gross profit and gross profit margin was mainly attributable to the impacts of the year-on-year decrease in the purchase and sale price differential of the energy business and the year-on-year decrease in one-time entrance fee income from gas stations; and the year-on-year increase in project and labor costs as a result of promoting the “toilet revolution”. Including:
 - a) The energy business generated a gross profit of RMB39.428 million in the first half of 2018 (the corresponding period in 2017: RMB57.490 million), representing a year-on-year decrease of RMB18.062 million or 31%. The gross profit margin was 10% (the corresponding period in 2017: 21%). Operating profit margin (operating profit/operating income) of the energy business in the first half of 2018 reached 9% (the corresponding period in 2017: 16%), which was mainly attributable to the impacts of the year-on-year decrease in one-time entrance fee income from gas stations and in the purchase and sale price differential.
 - b) The convenience stores retail business generated a gross profit of RMB29.631 million in the first half of 2018 (the corresponding period in 2017: RMB22.998 million), representing a year-on-year increase of RMB6.633 million or approximately 29%. The gross profit margin was 13% (the corresponding period in 2017: 12%), which was mainly due to the increase in operating income from self-operated convenience stores.
 - c) The merchant solicitation business generated a gross profit of RMB43.023 million in the first half of 2018 (the corresponding period in 2017: RMB42.859 million), representing a year-on-year increase of RMB164 thousand, and the gross profit margin was 41% (the corresponding period in 2017: 40%).
 - d) The advertising media business generated a gross profit of approximately RMB17.078 million in the first half of 2018 (the corresponding period in 2017: RMB17.135 million), representing a year-on-year decrease of RMB57 thousand. The gross profit margin was 44% (the corresponding period in 2017: 46%).

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- (3) The operation business of Taiping Interchange Assets generated a gross profit of RMB92.457 million in the first half of 2018 (the corresponding period in 2017: RMB87.382 million), representing a year-on-year increase of RMB5.075 million or 6%. The gross profit margin was 86% (the corresponding period in 2017: 87%).

2. Material logistics segment

The material logistics segment generated a gross profit of RMB45.387 million in the first half of 2018 (the corresponding period in 2017: RMB97.757 million), representing a year-on-year decrease of RMB52.370 million or 54%. The gross profit margin in the first half of 2018 was 8% (the corresponding period in 2017: 10%). The decrease in gross profit was mainly due to the disposal of the South China Logistics Enterprise Group in the period and a year-on-year decrease in gross profit as a result of a decrease in supply.

Taxes and surcharges

In the first half of 2018, taxes and surcharges amounted to RMB22.347 million (the corresponding period in 2017: RMB21.896 million), representing an increase of RMB0.451 million or 2% as compared to the corresponding period in 2017.

Selling and distribution expenses

In the first half of 2018, selling and distribution expenses of the Group amounted to RMB30.259 million (the corresponding period in 2017: RMB38.941 million), representing a year-on-year decrease of RMB8.682 million or 22%. Such decrease was attributable to (i) cost control over selling and distribution expenses and (ii) the disposal of the South China Logistics Enterprise Group in the period.

General and administrative expenses, and research and development expenses

In the first half of 2018, the Group incurred general and administrative expenses, and research and development expenses of RMB324.890 million (the corresponding period in 2017: RMB338.426 million), representing a year-on-year decrease of RMB13,536 million or 4%, which was mainly attributed to stepping up efforts in cost control over general and administrative expenses and the disposal of the South China Logistics Enterprise Group in the period.

Finance expenses

In the first half of 2018, finance expenses amounted to RMB31.861 million (the corresponding period in 2017: RMB24.841 million), representing an increase of RMB7.020 million or 28% over the corresponding period in 2017. The increase was mainly due to an increase of RMB403 million in debts bearing interest as of 30 June 2018 as compared to the corresponding period of last year.

Management Discussion and Analysis

Impairment losses

In the first half of 2018, impairment losses amounted to RMB3.049 million (the corresponding period in 2017: RMB2.562 million), representing a year-on-year increase of RMB0.487 million or 19%, which was mainly due to the fact that the Group increased the provision for impairment of the long-term assets during the period.

Reversal/(accrual) of credit losses

In the first half of 2018, reversal of credit losses amounted to RMB47.966 million (the corresponding period in 2017: credit losses of RMB13.356 million), representing a year-on-year decrease in accrual of credit losses of RMB61.322 million or 459%, which was mainly due to recovery of previously recognized credit impairment loss.

Other income

Other income generated in the first half of 2018 amounted to RMB105.841 million (the corresponding period in 2017: RMB39.988 million), representing a year-on-year increase of RMB65.853 million or 165%. The increase was mainly due to more government subsidies as compared to the corresponding period in 2017.

Investment income

In the first half of 2018, investment income amounted to RMB22.394 million (the corresponding period in 2017: RMB25.101 million), representing a year-on-year decrease of RMB2.707 million or 11%. Such decrease was mainly attributable to the combined effect of a year-on-year decrease of the net profit for the period of Southern United Assets and Equity Exchange Company Limited and a year-on-year increase of the net profit of Guangzhou Tianhe Coach Terminal Co., Ltd. and CNPC Yueyun Natural Gas Co., Ltd..

Non-operating income and expenses

In the first half of 2018, non-operating income and expenses amounted to net expenses of RMB1.299 million (the corresponding period in 2017: net income of RMB5.251 million), representing a year-on-year decrease in net income of RMB6.550 million or 125%, mainly attributable to lesser non-recurring government subsidies as compared with the corresponding period last year.

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group fully leveraged on the beneficial rate environment of bond market to optimize financial structure and lower overall financial cost through comparatively low cost financial channels such as issuance of corporate bond. The Group enhanced capital

Management Discussion and Analysis

allocation through the operation of cash pooling, in order to effectively reduce the need for external borrowings and increase the efficiency of capital utilization. In the first half of 2018, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB4,633.310 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

Items	As at	As at
	30 June 2018	31 December 2017
	RMB'000	RMB'000
Borrowings (from banks and other financial institutions)	1,847,157	1,783,593
Less: Cash and cash equivalents	1,240,337	1,857,779
Net debt	606,820	(74,186)
Total liabilities	4,465,322	5,505,387
Total shareholder's equity	3,512,013	3,678,240
Total equity	4,118,833	3,604,054
Total assets	7,977,335	9,183,627
Gearing ratio	14.73%	(2.06%)
Asset to liability ratio	55.97%	59.95%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total Shareholder's equity

Asset to liability ratio = Total liabilities/Total assets

Cash flows

In the first half of 2018, the Group satisfied its requirement for payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term liabilities with low interest rates. In the first half of 2018, cash and cash equivalents of the Group were mainly denominated in RMB. Cash and cash equivalents (after excluding the effect of exchange rate movement) were as follows:

Cash generated from/(used in)	As at 30 June		
	2018	2017	Change
	RMB'000	RMB'000	RMB'000
Operating activities	(89,284)	(111,234)	21,950
Investing activities	(619,222)	(292,086)	(327,136)
Financing activities	89,364	145,655	(56,291)

Management Discussion and Analysis

Operating activities

In the first half of 2018, the Group's net outflow from operating activities amounted to RMB89.284 million (the corresponding period in 2017: net outflow of RMB111.234 million), representing a decrease of net outflow of RMB21.950 million, net outflow from operating activities mainly represented the payment expense of maturing notes. Year-on-year decrease of RMB21.950 million in the net outflow was mainly attributable to less prepayments for materials business as a result of the disposal of the South China Logistics Enterprise Group in the period.

Investing activities

In the first half of 2018, the net cash outflow from investing activities was RMB619.222 million (the corresponding period in 2017: net cash outflow of RMB292.086 million), representing an increase of net outflow of RMB327.136 million, which was mainly attributable to a year-on-year increase of RMB248.292 million in the cash payments for acquisition of fixed assets, intangible assets and other long-term assets.

Financing activities

In the first half of 2018, the net cash inflow from financing activities was RMB89.364 million (the corresponding period in 2017: net inflow of RMB145.655 million), representing a decrease in net inflow of RMB56.291 million.

Borrowings position

As at 30 June 2018, outstanding borrowings of the Group was RMB1,847.157 million (31 December 2017: RMB1,783,593 million), comprising (i) unsecured short-term loans of RMB25 million (31 December 2017: RMB161 million); (ii) secured short-term loans of RMB30 million (31 December 2017: RMB5 million); (iii) letter of credit pledge short-term loans: Nil (31 December 2017: RMB51.807 million); (iv) secured long-term loans of RMB203.373 million (31 December 2017: RMB168.301 million); (v) unsecured long-term loans of RMB570.095 million (31 December 2017: RMB461.462 million); (vi) finance lease payables: RMB242.793 million (31 December 2017: 160,712 million); and (vii) bonds payable of RMB775.896 million (31 December 2017: RMB775.311 million). As at 30 June 2018, 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 approximately 55%.

Major post balance sheet date events

None.

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Major acquisitions and establishment of new companies

For the period ended 30 June 2018, through implementation of asset swap with Yueyun Investment Management, the Group completed the disposal of the South China Logistics Enterprise Group and acquisition of the Meizhou Yueyun Group. The Group also invested in the establishment of a new company, Maoming City Dianbai District Yueyun Vehicles Transportation Co., Ltd. (茂名市電白區粵運汽車運輸有限公司). The Group had total investments of RMB9.18 million in the new company.

Major properties held for investment

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

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Pledge of assets

As at 30 June 2018, fixed assets at the net value of approximately RMB231.916 million (31 December 2017: RMB234.117 million), land use rights at the net value of RMB190.652 million (31 December 2017: RMB111.272 million) and investment properties at the net value of RMB22 million (31 December 2017: 22.393 million) of the Group were pledged as security for borrowings of the Group.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in Renminbi, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2018, the working capital and liquidity of the Group were slightly affected by the fluctuations in foreign exchange rate. The directors of the Company (the "**Director(s)**") believe that the Group will have sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of Renminbi, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

SHARE CAPITAL

As at 30 June 2018, there were a total of 799,847,800 ordinary shares of the Company in issue, over 25% of which were held by the public. The public float satisfied the requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). So far as it was known to the Directors, as at 30 June 2018, the controlling Shareholders and the actual controller of the Company remained unchanged.

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

As at 30 June 2018, GCGC directly held 592,847,800 domestic Shares, representing 100% of the issued domestic Shares and approximately 74.12% of the total issued share capital of the Company.

GCGC is a controlling shareholder of the Company. Its legal representative is Deng Xiaohua and its registered capital as at 30 June 2018 was RMB26.8 billion. It is principally engaged in investment, construction and management of the expressways in the Guangdong Province, as well as logistics and transportation business.

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

As at 30 June 2018, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons (other than the Directors, the supervisors (the “**Supervisors**”) and the chief executive of the Company) had 5% or more interests in the Shares and underlying Shares (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) as recorded in the register required to be kept by the Company under section 336 of the SFO:

Other Information

Name of Shareholder	Class of Shares	Number of Shares/ underlying Shares held (Note 1)	Capacity	Approximate percentage in the relevant class of share capital	Approximate percentage in total share capital
GCGC	Domestic Shares	592,847,800	Beneficial owner	100%	74.12%
China Petrochemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
China Petroleum & Chemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec Sales Company Limited	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec (Hong Kong) Limited	H Shares	33,570,000 (Note 2)	Beneficial owner	16.22%	4.20%
Shah Capital Management	H Shares	17,694,000	Investment manager	8.55%	2.21%
Pope Asset Management, LLC	H Shares	25,338,747	Investment manager	12.24%	3.17%
E Fund Management Co., Ltd.	H Shares	10,350,000	Investment manager	5.00%	1.29%

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

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

Save as disclosed above, as at 30 June 2018, the Company was not aware of any other interests or short positions in the shares or underlying shares of the Company that are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CHANGES IN SHARES

There is no change in shares of the Company for the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company did not redeem any of its listed shares nor did the Company or any of its subsidiaries purchase or sell any of such shares during the six months ended 30 June 2018.

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

As at 30 June 2018, the interests (or long positions) and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

As at 30 June 2018, none of the Directors, Supervisors or chief executive of the Company held any interests in the shares, underlying shares and debentures of the Company.

2. Long positions in the shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Type of interests	Number of shares held	Approximate percentage in the relevant class of share capital
Guangdong Provincial Expressway Development Co. Ltd.	Zhen Jianhui	Personal	9,209	0.0005%

Except as disclosed above, as at 30 June 2018, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the Group and the board of directors of the Company (the “**Board**”) considers that effective corporate governance is crucial to the success of a company and to enhance shareholder’s value.

On 1 November 2017, Mr. Peng Xiaolei resigned as the independent non-executive Director and the chairman and a member of the Audit and Corporate Governance Committee of the Company (the “**Audit and Corporate Governance Committee**”). During the period from 1 November 2017 to 20 March 2018, the number of members of the Audit and Corporate Governance Committee was reduced to two and the Audit and Corporate Governance Committee did not have a chairman. Therefore, during the period from 1 November 2017 to 20 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 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 has 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 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 January 2018 to 20 March 2018, the Company had complied with other code provisions of the CG Code contained in Appendix 14 to the Listing Rules for the six months ended 30 June 2018.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the Supervisors. Having made specific enquiry with all the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she had complied with the requirements set out in the Model Code for the six months ended 30 June 2018.

BOARD OF DIRECTORS

As at 30 June 2018 and up to the date of this report (i.e. 21 August 2018), the Directors in office were as follows:

Name	Effective date of appointment as a Director	Date of resignation as a Director
Executive Directors		
Mr. Xuan Zongmin	6 June 2012 (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	N/A
Mr. Tang Yinghai	6 June 2012 (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	N/A
Mr. Yao Hanxiong	18 December 2012	N/A
Mr. Guo Junfa	18 December 2012	N/A
Mr. Wen Wu	15 August 2018	N/A
Non-executive Directors		
Mr. Li Bin	18 December 2012	N/A
Mr. Chen Min	7 June 2016	N/A
Independent non-executive Directors		
Mr. Gui Shouping	2 February 2004	15 August 2018
Mr. Jin Wenzhou	4 April 2014	N/A
Ms. Lu Zhenghua	7 June 2016	N/A
Ms. Wen Huiying	15 August 2018	N/A
Mr. Zhan Xiaotong	15 August 2018	N/A

For details about the resignation of Mr. Gui Shouping as independent non-executive Director, the appointment of Ms. Wen Huiying and Mr. Zhan Xiaotong as independent non-executive Directors and Mr. Wen Wu as an executive Director, please refer to the announcements of the Company dated 25 June 2018 and 15 August 2018 and the circular of the Company dated 29 June 2018, respectively.

Other Information

CHANGES IN DIRECTORS AND SUPERVISORS' PARTICULARS

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

Mr. Guo Junfa, an executive Director, was appointed as a deputy secretary of the discipline inspection committee and the head of the supervision and audit department of GCGC in March 2018.

REVIEW BY AUDIT & CORPORATE GOVERNANCE COMMITTEES

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

The primary duties of the Audit & Corporate Governance Committee are, among other things, to appoint external auditors, review and supervise the financial reporting process, review interim and annual results, review and supervise the internal control system and risk management of the Group, and provide advice and comments to the Board and monitor the corporate governance of the Company. As at 30 June 2018, the Audit & Corporate Governance Committee comprised 3 members, namely Ms. Lu Zhenghua (Chairman) and Mr. Jin Wenzhou, two independent non-executive Directors, and Mr. Li Bin, a non-executive Director. The Audit & Corporate Governance Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2018 and recommended its adoption by the Board. The independent auditor of the Company, KPMG Huazhen LLP, has also reviewed the unaudited interim financial report for the period in accordance with Chinese Standards on Review No. 2101- Engagements to Review Financial Statements issued by the Chinese Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

As at 30 June 2018 and up to the date of this report (i.e., 21 August 2018), the supervisory committee of the Company (the “**Supervisory Committee**”) comprised 7 Supervisors, and the Supervisors in office were as follows:

Name	Effective date of appointment as a Supervisor	Date of resignation as a Supervisor
Shareholder Supervisors		
Mr. Hu Xianhua (Chairman of the Supervisory Committee)	7 June 2016	N/A
Mr. Wang Qingwei	7 June 2016	N/A
Employee Representative Supervisors		
Mr. Zhen Jianhui	15 April 2014	N/A
Ms. Li Xiangrong	7 June 2016	N/A
Ms. Lian Yuebin	15 August 2017	N/A
Independent Supervisors		
Mr. Dong Yihua	7 June 2016	N/A
Mr. Lin Hai	7 June 2016	N/A

EMPLOYEES AND REMUNERATION POLICIES

The Group had 22,750 employees as at 30 June 2018 (31 December 2017: 22,951). Total staff cost for the six months ended 30 June 2018, including the Directors’ remuneration, amounted to approximately RMB887 million (the corresponding period in 2017: approximately RMB873 million).

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

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

Other Information

TRAINING OF EMPLOYEES

The Group has always attached great importance to the training and development of human resources, and made endeavor to provide training and education to employees at all levels. The Group has faithfully implemented budgeted standard for training expenses and its implementation plan. As at 30 June 2018, the Group has conducted a total of 495 training courses (excluding network training courses) with 15,100 participants and total curriculum duration of approximately 8,516 hours. Meanwhile, The Group continues to use network education as another main training approach. The total curriculum duration of network education and training for the employees of the Group were approximately 596 hours as at 30 June 2018.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. On 21 December 2017, the Board resolved to submit to the Shareholders for the consideration of the special resolution on proposed amendments to the Articles of Association at the extraordinary general meeting, the purposes of which are set out below:
 - (1) 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 the Communist Party of China in the Articles of Association; and
 - (2) 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 considered and approved by the Shareholders at the extraordinary general meeting held on 19 March 2018 and registered for changes with Administration of Industry and Commerce of Guangdong Province, with effect from 30 March 2018. For details, please refer to the announcements of the Company dated 21 December 2017 and 19 March 2018 and the circular of the Company dated 31 January 2018, respectively.

2. On 25 June 2018, the Board resolved to submit to the Shareholders a special resolution at an extraordinary general meeting to consider proposed amendments to the Articles of Association. The objective for the amendments is as follows:

Pursuant to the "Company Law of the PRC", "Mandatory Provisions for Articles of Association of Companies Listed Overseas", "Circular Regarding Comments on the Amendments to Articles of Association of Companies Listed in Hong Kong" and the requirement of other applicable laws and regulations, combined with the actual situation of the Company, it is intended to delete "processing and selling of asphalt and lake asphalt" and add "advertising industry, internet advertising services, other advertising services" and "the business of retail, wholesale, online sales" in the scope of business of the Company, and make amendments to Article 11 of the Articles of Association regarding the scope of business.

The aforesaid amendments to the Articles of Association have been considered and approved by the Shareholders in the extraordinary general meeting held on 15 August 2018 and will be effective upon approval by the competent authorities and registration for changes with Administration of Industry and Commerce of Guangdong Province. Please refer to the announcements dated 25 June 2018 and 15 August 2018, respectively and the circular dated 29 June 2018 of the Company for details.

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.

DIVIDEND

The Board has not declared the payment of an interim dividend for the six months ended 30 June 2018.

On 21 March 2018, the Board recommended the payment of a final dividend of RMB0.16 per ordinary share (inclusive of tax) for the year 2017. Such proposal was approved by the Shareholders at the annual general meeting ("AGM") held on 19 June 2018. The final dividend was paid on 21 August 2018 to Shareholders whose names appear on the Company's share register of members at 4:30 p.m. on Monday, 28 June 2018. For details, please refer to the announcements of the Company dated 21 March 2018 and 19 June 2018, respectively and the 2017 annual report published on 27 April 2018 by the Company.

AUDITOR OF THE COMPANY

The Shareholders considered and approved the ordinary resolution in respect of the proposed appointment of KPMG Huazhen LLP as the auditor of the Company at the AGM for a term of office until the close of the next annual general meeting of the Company.

Other Information

MATERIAL LITIGATION AND ARBITRATION

As at the date of this report (i.e., 21 August 2018), the Company was involved the following material litigation:

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

All Shareholders of Guangdong Yueyun Transportation Company Limited:

We have reviewed the accompanying interim financial report of Guangdong Yueyun Transportation Company Limited ("Yueyun Transportation"), which comprises the consolidated and company balance sheets as at 30 June 2018, and 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 six months period then ended and notes to the interim financial report. Yueyun Transportation's management is responsible for preparing the interim financial report in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting", issued by the Ministry of Finance of the People's Republic of China. Our responsibility is to issue a report on the interim financial report based on our review.

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

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

KPMG Huazhen LLP

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

Wang Jie

Beijing, China

Liang Xinghua
21 August 2018

Consolidated balance sheet (unaudited)

As at 30 June 2018

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2018	As at 31 December 2017 (Restated)	As at 1 January 2017 (Restated)
Assets				
Current Assets				
Cash at bank and on hand		1,269,032,320.85	1,876,354,128.50	1,670,733,199.35
Bills and accounts receivable	1	512,519,950.00	874,486,077.25	611,129,995.39
Prepayments		222,599,358.27	330,959,378.33	240,583,697.21
Other receivables		514,863,851.14	411,818,958.72	367,100,965.14
Inventories		128,462,929.79	190,235,150.79	137,958,614.51
Non-current assets due within one year		32,782,341.01	31,874,195.35	7,402,505.23
Other current assets		27,425,230.14	35,531,593.57	39,517,821.40
Total current assets		2,707,685,981.20	3,751,259,482.51	3,074,426,798.23
Non-current assets				
Investments in other equity instruments	2	1,060,744.03	563,228.22	563,228.22
Long-term receivables		7,240,509.43	7,030,155.67	40,874,522.56
Long-term equity investments		335,642,428.09	332,013,785.00	237,545,373.76
Investment properties		124,610,438.86	180,291,731.04	164,354,635.96
Fixed assets	3	2,682,947,185.76	2,683,689,257.33	2,473,064,867.84
Construction in progress		274,195,582.29	316,762,995.42	211,588,508.86
Intangible assets	4	1,049,057,132.78	1,128,291,589.11	1,081,117,377.21
Goodwill		104,166,326.02	104,166,326.02	104,166,326.02
Long-term deferred expenses		59,182,422.61	52,170,691.55	32,664,888.69
Deferred tax assets		198,610,377.89	215,501,150.20	222,759,376.51
Other non-current assets		432,935,864.25	411,886,142.50	410,447,716.92
Total non-current assets		5,269,649,012.01	5,432,367,052.06	4,979,146,822.55
Total assets		7,977,334,993.21	9,183,626,534.57	8,053,573,620.78

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated balance sheet (unaudited)

As at 30 June 2018

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2018	As at 31 December 2017 (Restated)	As at 1 January 2017 (Restated)
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans	5	55,000,000.00	217,806,642.67	60,000,000.00
Bills and accounts payable	6	546,581,100.71	1,642,202,552.16	1,175,908,713.53
Advances from customers		148,297,943.11	196,501,125.04	240,071,906.56
Contract liabilities		28,219,426.46	—	—
Employee benefits payable		169,054,544.74	188,163,521.91	177,620,764.40
Taxes payable		79,727,793.83	174,924,497.04	139,433,129.65
Other payables		798,078,106.16	696,811,970.82	684,568,922.53
Non-current liabilities due within one year	7	258,233,429.73	158,346,422.54	125,849,539.54
Total current liabilities		2,083,192,344.74	3,274,756,732.18	2,603,452,976.21
Non-current liabilities				
Long-term loans	8	644,444,829.63	558,075,133.02	261,325,730.93
Bonds payable	9	775,896,220.02	775,310,816.19	774,170,794.08
Long-term payables		273,323,316.12	165,168,357.56	138,659,791.85
Long-term employee benefits payable		173,728,516.59	181,270,744.39	196,515,754.58
Provisions		423,563.52	1,646,679.43	1,100,000.00
Deferred income		482,698,408.49	520,711,271.94	559,575,943.65
Deferred tax liabilities		31,614,654.35	28,447,231.25	32,736,936.59
Total non-current liabilities		2,382,129,508.72	2,230,630,233.78	1,964,084,951.68
Total liabilities		4,465,321,853.46	5,505,386,965.96	4,567,537,927.89

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated balance sheet (unaudited)

As at 30 June 2018

(Expressed in Renminbi Yuan)

	Note	As at 30 June 2018	As at 31 December 2017 (Restated)	As at 1 January 2017 (Restated)
Liabilities and shareholders' equity				
(continued)				
Shareholders' equity				
Share capital		799,847,800.00	799,847,800.00	799,847,800.00
Capital reserve	IV,3	18,800,491.50	215,513,875.00	285,966,328.19
Other comprehensive income		(33,050,429.03)	(34,414,839.74)	(21,923,638.32)
Special reserve		33,727,010.95	34,202,615.37	34,953,712.42
Surplus reserve		176,838,828.19	186,668,434.59	160,596,169.46
Retained earnings	V,10	1,267,448,535.87	1,275,233,926.21	994,629,115.47
Equity attributable to shareholders of the Company		2,263,612,237.48	2,477,051,811.43	2,254,069,487.22
Non-controlling interests		1,248,400,902.27	1,201,187,757.18	1,231,966,205.67
Total shareholders' equity		3,512,013,139.75	3,678,239,568.61	3,486,035,692.89
Total liabilities and shareholders' equity		7,977,334,993.21	9,183,626,534.57	8,053,573,620.78

This interim financial report was approved by the Board of Directors of the Company on 21 August 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 57 to 172 form part of this interim financial report.

Company balance sheet (unaudited)

As at 30 June 2018

(Expressed in Renminbi Yuan)

	Note	As at 30 June 2018	As at 31 December 2017 (Restated)	As at 1 January 2017 (Restated)
Assets				
Current assets				
Cash at bank and on hand		706,866,726.79	929,531,026.45	1,109,152,535.46
Bills and accounts receivable	1	197,346,226.29	386,465,754.68	260,324,273.44
Prepayments		29,499,258.71	117,397,303.85	12,759,797.38
Other receivables		677,201,198.47	683,483,735.32	670,545,183.27
Inventories		44,323,378.64	14,650,695.09	2,479,099.78
Other current assets		1,422,651.12	—	—
Total current assets		<u>1,656,659,440.02</u>	<u>2,131,528,515.39</u>	<u>2,055,260,889.33</u>
Non-current assets				
Investments in other equity instruments	2	1,377,412.45	777,412.45	777,412.45
Long-term equity investments		1,184,576,923.42	1,233,022,067.92	1,208,707,080.27
Fixed assets	3	7,528,104.88	5,965,415.37	6,227,757.60
Construction in progress		4,503,620.00	—	—
Intangible assets	4	107,383,566.33	114,803,847.21	125,660,101.38
Long-term deferred expenses		4,562,799.17	5,622,448.53	4,755,547.36
Deferred tax assets		139,571,070.10	149,417,613.25	147,629,709.43
Total non-current assets		<u>1,449,503,496.35</u>	<u>1,509,608,804.73</u>	<u>1,493,757,608.49</u>
Total assets		<u>3,106,162,936.37</u>	<u>3,641,137,320.12</u>	<u>3,549,018,497.82</u>

The notes on pages 57 to 172 form part of this interim financial report.

Company balance sheet (unaudited)

As at 30 June 2018

(Expressed in Renminbi Yuan)

	Note V	As at 30 June 2018	As at 31 December 2017 (Restated)	As at 1 January 2017 (Restated)
Liabilities and shareholders' equity				
Current liabilities				
Bills and accounts payable	6	74,315,673.23	578,392,323.80	329,979,819.37
Advances from customers		—	16,031,962.28	38,819,006.55
Contract liabilities		7,021,180.23	—	—
Employee benefits payable		18,746,437.19	21,618,087.89	18,170,696.86
Taxes payable		2,266,748.24	31,058,166.09	13,268,044.80
Other payables		849,189,821.68	767,043,723.88	1,061,632,304.31
Total current liabilities		951,539,860.57	1,414,144,263.94	1,461,869,871.89
Non-current liabilities				
Bonds payable	9	775,896,220.02	775,310,816.19	774,170,794.08
Total non-current liabilities		775,896,220.02	775,310,816.19	774,170,794.08
Total liabilities		1,727,436,080.59	2,189,455,080.13	2,236,040,665.97

The notes on pages 57 to 172 form part of this interim financial report.

Company balance sheet (unaudited)

As at 30 June 2018

(Expressed in Renminbi Yuan)

	As at 30 June 2018	As at 31 December 2017 (Restated)	As at 1 January 2017 (Restated)
Note V			
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital	799,847,800.00	799,847,800.00	799,847,800.00
Capital reserve	210,546,645.59	246,020,107.11	246,020,107.11
Special reserve	17,739.42	—	—
Surplus reserve	175,137,881.43	175,137,881.43	150,375,506.17
Retained earnings	193,176,789.34	230,676,451.45	116,734,418.57
Total shareholders' equity	1,378,726,855.78	1,451,682,239.99	1,312,977,831.85
Total liabilities and shareholders' equity	3,106,162,936.37	3,641,137,320.12	3,549,018,497.82

This interim financial report was approved by the Board of Directors of the Company on 21 August 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 57 to 172 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2018	2017 (Restated)
I. Operating income		3,183,476,580.93	3,390,554,589.46
Less: Operating costs		2,625,163,950.43	2,648,760,824.63
Taxes and surcharges		22,347,398.47	21,895,795.68
Selling and distribution expenses		30,258,913.92	38,940,794.60
General and administrative expenses		324,341,814.19	337,599,142.93
Research and development expenses		548,365.55	827,348.44
Financial expenses	11	31,861,180.65	24,840,725.36
Including: Interest expenses		31,766,878.18	26,701,544.25
Interest income		(10,756,159.67)	(8,013,716.42)
Impairment losses	12	3,049,432.24	2,561,614.82
(Reversal)/accrual of credit losses	13	(47,965,656.73)	13,356,031.28
Add: Other income	14	105,841,343.47	39,987,620.34
Investment income	15	22,393,778.74	25,101,088.10
Including: Income from investments in associates and joint ventures		22,616,451.30	25,330,778.79
Gain from asset disposals	16	262,810.93	113,922.56
II. Operating profit		322,369,115.35	366,974,942.72
Add: Non-operating income	17	4,298,606.67	8,369,391.45
Less: Non-operating expenses		5,597,529.91	3,118,219.84
III. Profit before income tax		321,070,192.11	372,226,114.33
Less: Income tax expenses	18	85,046,398.56	100,822,696.01

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

For the six months ended 30 June

	2018	2017 (Restated)
IV. Net profit for the period	236,023,793.55	271,403,418.32
(1) Net profit classified by continuity of operations		
1. Net profit from continuing operations	236,023,793.55	271,403,418.32
2. Net profit from discontinued operations	—	—
(2) Net profit classified by ownership		
1. Non-controlling interests	27,367,078.27	44,092,023.37
2. Shareholders of the Company	208,656,715.28	227,311,394.95
V. Other comprehensive income, net of tax		
Other comprehensive income (net of tax) attributable to shareholders of the Company	1,364,410.71	(3,089,817.55)
(1) Items that will not be reclassified to profit or loss:		
1. Remeasurement of defined benefit plan	(308,723.92)	(45,562.16)
2. Changes in fair value of investments in other equity instruments	(102,484.19)	—
(2) Items that may be reclassified to profit or loss:		
1. Translation differences arising from translation of foreign currency financial statements	1,775,618.82	(3,044,255.39)
Other comprehensive income (net of tax) attributable to non-controlling interests	711,727.41	(1,782,186.99)

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated income statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2018	2017 (Restated)
VI. Total comprehensive income for the period		238,099,931.67	266,531,413.78
Attributable to:			
Shareholders of the Company		210,021,125.99	224,221,577.40
Non-controlling interests		28,078,805.68	42,309,836.38
VII. Earnings per share			
(I) Basic earnings per share	20	0.26	0.28
(II) Diluted earnings per share	20	0.26	0.28

Note: For a business combination involving entities under common control which occurred in 2017, the net profit of the investees was RMB263,763.28 for the six months ended 30 June 2017.

For a business combination involving entities under common control which occurred in the six months ended 30 June 2018, the net profit of the investees before being consolidated was RMB5,282,794.19, the net profit for the six months ended 30 June 2017 was RMB12,817,736.15.

This interim financial report was approved by the Board of Directors of the Company on 21 August 2018.

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

The notes on pages 57 to 172 form part of this interim financial report.

Company income statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2018	2017 (Restated)
I. Operation income		379,807,319.35	512,567,158.00
Less: Operating costs		257,582,833.52	392,549,466.10
Taxes and surcharges		(406,002.74)	1,159,917.44
Selling and distribution expenses		167,500.89	2,910,870.96
General and administrative expenses		34,413,128.82	31,093,709.09
Financial expenses	11	6,204,095.74	1,890,570.07
Including: Interest expenses		17,218,644.81	17,781,854.67
Interest income		(9,338,514.41)	(15,755,652.11)
(Reversal)/accrual of credit losses	13	(22,050,779.46)	4,209,947.99
Add: Investment income	15	13,096,117.02	19,265,644.92
Including: Income from investments in associates and joint ventures		13,096,117.02	19,265,644.92
II. Operating profit		116,992,659.60	98,018,321.27
Add: Non-operating income	17	0.84	470.09
III. Profit before income tax		116,992,660.44	98,018,791.36
Less: Income tax expenses	18	26,516,674.55	20,183,777.77

The notes on pages 57 to 172 form part of this interim financial report.

Company income statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
	2018	2017 (Restated)
IV. Net profit for the period	90,475,985.89	77,835,013.59
Net profit classified by continuity of operations		
1. Net profit from continuing operations	90,475,985.89	77,835,013.59
2. Net profit from discontinued operations	—	—
V. Other comprehensive income, net of tax	—	—
VI. Total comprehensive income of the period	90,475,985.89	77,835,013.59

This interim financial report was approved by the Board of Directors of the Company on 21 August 2018.

Xuan Zongmin Legal representative <i>(Signature and stamp)</i>	Wen Wu The person in charge of accounting affairs <i>(Signature and stamp)</i>	Leng Xuelin The head of the accounting department <i>(Signature and stamp)</i>	<i>(Company Stamp)</i>
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The notes on pages 57 to 172 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
Note V	2018	2017 (Restated)
I. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	3,472,862,430.60	3,448,572,373.96
Cash received from other operating activities	148,758,791.53	94,667,210.30
Sub-total of cash inflows	3,621,621,222.13	3,543,239,584.26
Payment for goods and services	2,449,145,175.59	2,424,663,350.66
Payment to and for employees	935,453,134.81	878,505,617.14
Payment of various taxes	208,733,385.82	217,931,719.49
Payment relating to other operating activities	117,573,819.68	133,372,475.46
Sub-total of cash outflows	3,710,905,515.90	3,654,473,162.75
Net cash outflow from operating activities	21(1) (89,284,293.77)	(111,233,578.49)

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
	2018	2017 (Restated)
II. Cash flows from investing activities:		
Investment returns received	28,314,157.05	4,891,341.02
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	7,461,131.20	20,516,069.85
Proceeds from other investing activities	3,527,923.98	5,461,923.46
Sub-total of cash inflows	39,303,212.23	30,869,334.33
Payment for acquisition of fixed assets, intangible assets and other long-term assets	513,035,970.56	264,744,258.46
Payment for acquisition of investments	9,000,000.00	52,426,500.00
Net payment for acquisition of subsidiaries	—	5,784,120.42
Payment for business combinations involving enterprises under common control	31,000,000.00	—
Net decrease in cash resulting from asset swap	105,488,801.47	—
Sub-total of cash outflows	658,524,772.03	322,954,878.88
Net cash outflow from investing activities	(619,221,559.80)	(292,085,544.55)

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

	Note V	For the six months ended 30 June	
		2018	2017 (Restated)
III. Cash flows from financing activities:			
Proceeds from investors		20,706,000.00	—
Proceeds from borrowings		213,486,350.00	256,959,915.03
Sub-total of cash inflows		234,192,350.00	256,959,915.03
Repayments of borrowings		101,588,149.01	51,589,983.85
Payment for profit distributions or interest		42,407,413.73	52,040,015.61
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		11,455,600.58	41,095,856.20
Payment relating to reduction of capital by non-controlling interests		—	4,426,725.25
Payment relating to other financing activities	21(4)	832,597.78	3,247,958.02
Sub-total of cash outflows		144,828,160.52	111,304,682.73
Net cash inflow from financing activities		89,364,189.48	145,655,232.30
IV. Effect of foreign exchange rate changes on cash and cash equivalents		1,698,980.86	(2,107,753.90)
V. Net decrease in cash and cash equivalents	21(2)	(617,442,683.23)	(259,771,644.64)
Add: Cash and cash equivalents at the beginning of the period		1,857,779,421.60	1,657,882,570.63
VI. Cash and cash equivalents at the end of the period	21(3)	1,240,336,738.37	1,398,110,925.99

This interim financial report was approved by the Board of Directors of the Company on 21 August 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 57 to 172 form part of this interim financial report.

Company cash flow statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

	For the six months ended 30 June	
Note V	2018	2017
I. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	625,157,177.14	398,540,972.79
Proceeds from other operating activities	23,197,118.38	6,563,320.91
Sub-total of cash inflows	648,354,295.52	405,104,293.70
Payment for goods and services	753,892,939.56	482,672,671.82
Payment to and for employees	20,489,531.03	18,965,095.43
Payment of various taxes	35,038,762.60	25,134,189.79
Payment relating to other operating activities	17,781,338.85	39,856,753.10
Sub-total of cash outflows	827,202,572.04	566,628,710.14
Net cash outflow from operating activities	(178,848,276.52)	(161,524,416.44)
	21(1)	

The notes on pages 57 to 172 form part of this interim financial report.

Company cash flow statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

For the six months ended 30 June

	2018	2017
II. Cash flows from investing activities:		
Proceeds from disposal of investments	—	68,000,000.00
Proceeds from asset swap	28,380,000.00	—
Investment returns received	20,356,169.52	3,237,345.06
Sub-total of cash inflows	48,736,169.52	71,237,345.06
Payment for acquisition of fixed assets, intangible assets and other long-term assets	8,829,946.20	1,167,639.20
Payment for acquisition of investments	18,780,000.00	—
Sub-total of cash outflows	27,609,946.20	1,167,639.20
Net cash inflow from investing activities	21,126,223.32	70,069,705.86

The notes on pages 57 to 172 form part of this interim financial report.

Company cash flow statement (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
	Note V	2018	2017
III. Cash flows from financing activities:			
Payment for interest		1,259,642.85	2,055,264.16
Payment relating to other financing activities	21 (4)	63,682,603.61	277,119,600.26
Sub-total of cash outflows		64,942,246.46	279,174,864.42
Net cash outflow from financing activities		(64,942,246.46)	(279,174,864.42)
IV. Net decrease in cash and cash equivalents	21 (2)	(222,664,299.66)	(370,629,575.00)
Add: Cash and cash equivalents at the beginning of the period		929,531,026.45	1,109,152,535.46
V. Cash and cash equivalents at the end of the period	21 (3)	706,866,726.79	738,522,960.46

This interim financial report was approved by the Board of Directors of the Company on 21 August 2018.

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

The notes on pages 57 to 172 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

Note	Attributable to shareholders of the Company								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total			
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB		
I. Balance as at 31 December 2017	799,847,800.00	125,022,074.47	(34,414,839.74)	33,262,879.58	177,615,970.29	1,290,311,300.48	2,391,645,185.08	1,201,770,691.34	3,593,415,876.42	
Add: Business combinations involving enterprises under common control	IV.3	—	90,491,800.53	—	939,735.79	9,052,464.30	38,272,260.69	138,756,261.31	2,450,270.31	141,206,531.62
Changes in accounting policies	II.32	—	—	—	—	—	(42,632,757.66)	(42,632,757.66)	(3,033,204.47)	(45,665,962.13)
Others	VI.4 (m)	—	—	—	—	—	(10,716,877.30)	(10,716,877.30)	—	(10,716,877.30)
II. Balance as at 1 January 2018 (Restated)	799,847,800.00	215,513,875.00	(34,414,839.74)	34,202,615.37	186,668,434.59	1,275,233,926.21	2,477,051,811.43	1,201,187,757.18	3,678,239,568.61	
III. Changes in equity during the period										
1. Total comprehensive income		—	—	1,364,410.71	—	—	208,656,715.28	210,021,125.99	28,078,805.68	238,099,931.67
2. Shareholders' contributions and reduction										
- Contributions by non-controlling shareholders		—	—	—	—	—	—	—	20,706,000.00	20,706,000.00
- Disposal of a subsidiary	IV.4	—	—	—	—	—	—	—	(723,150.63)	(723,150.63)
- Effect of a business combination involving enterprises under common control	IV.3	—	(196,713,383.50)	—	—	(9,829,606.40)	(88,466,457.62)	(295,009,447.52)	—	(295,009,447.52)
3. Appropriation of profits										
- Distributions to shareholders	V.10	—	—	—	—	—	(127,975,648.00)	(127,975,648.00)	(740,419.40)	(128,716,067.40)
4. Special reserve										
- Accrued		—	—	—	17,595,113.12	—	—	17,595,113.12	10,321,584.32	27,916,697.44
- Utilised		—	—	—	(18,070,717.54)	—	—	(18,070,717.54)	(10,429,674.88)	(28,500,392.42)
Sub-total		—	(196,713,383.50)	1,364,410.71	(475,604.42)	(9,829,606.40)	(7,785,390.34)	(213,439,573.95)	47,213,145.09	(166,226,428.86)
IV. Balance as at 30 June 2018		799,847,800.00	18,800,491.50	(33,050,429.03)	33,727,010.95	176,838,828.19	1,267,448,535.87	2,263,612,237.48	1,248,400,902.27	3,512,013,139.75

This interim financial report was approved by the Board of Directors of the Company on 21 August 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 57 to 172 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

	Note	Attributable to shareholders of the Company							Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Other	Special reserve	Surplus reserve	Retained earnings	Total		
				comprehensive income						
RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
I. Balance as at 31 December 2016		799,847,800.00	184,807,287.55	(21,923,638.32)	31,476,221.97	152,853,595.03	1,001,774,064.23	2,148,835,330.46	1,236,019,860.54	3,384,855,191.00
Add: Business combinations involving enterprises under common control	IV.3	—	101,159,040.64	—	3,477,490.45	7,742,574.43	38,873,971.30	151,253,076.82	—	151,253,076.82
Changes in accounting policies	II.32	—	—	—	—	—	(35,302,042.76)	(35,302,042.76)	(4,053,654.87)	(39,355,697.63)
Others	VI.4 (m)	—	—	—	—	—	(10,716,877.30)	(10,716,877.30)	—	(10,716,877.30)
I. Balance as at 1 January 2017 (restated)		799,847,800.00	285,966,328.19	(21,923,638.32)	34,953,712.42	160,596,169.46	994,629,115.47	2,254,069,487.22	1,231,966,205.67	3,486,035,692.89
III. Changes in equity during the period										
1. Total comprehensive income		—	—	(3,089,817.55)	—	—	227,311,394.95	224,221,577.40	42,309,836.38	266,531,413.78
2. Shareholders' contributions and reduction										
- Acquisition of non-controlling interests		—	(1,766,815.98)	—	—	—	—	(1,766,815.98)	(2,659,909.27)	(4,426,725.25)
3. Appropriation of profits										
- Distributions to shareholders	V.10	—	—	—	—	—	(103,980,214.00)	(103,980,214.00)	(37,362,431.14)	(141,342,645.14)
4. Special reserve										
- Accrued		—	—	—	13,024,306.67	—	—	13,024,306.67	8,141,147.14	21,165,453.81
- Utilised		—	—	—	(15,351,122.78)	—	—	(15,351,122.78)	(8,813,916.88)	(24,165,039.66)
Sub-total		—	(1,766,815.98)	(3,089,817.55)	(2,326,816.11)	—	123,331,180.95	116,147,731.31	1,614,726.23	117,762,457.54
IV. Balance as at 30 June 2017		799,847,800.00	284,199,512.21	(25,013,455.87)	32,626,896.31	160,596,169.46	1,117,960,296.42	2,370,217,218.53	1,233,580,931.90	3,603,798,150.43

The notes on pages 57 to 172 form part of this interim financial report.

Company statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

	Note	Share capital RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. Balance as at 31 December 2017		799,847,800.00	246,020,107.11	—	175,137,881.43	241,024,103.47	1,462,029,892.01
Add: Changes in accounting policies	II.32	—	—	—	—	369,225.28	369,225.28
Others	VI.4 (m)	—	—	—	—	(10,716,877.30)	(10,716,877.30)
II. Balance as at 1 January 2018 (Restated)		799,847,800.00	246,020,107.11	—	175,137,881.43	230,676,451.45	1,451,682,239.99
III. Changes in equity during the period							
1. Total comprehensive income		—	—	—	—	90,475,985.89	90,475,985.89
2. Shareholders' contributions and reduction							
- Effect of a business combination involving enterprises under common control		—	(35,473,461.52)	—	—	—	(35,473,461.52)
3. Appropriation of profits							
- Distributions to shareholders	V.10	—	—	—	—	(127,975,648.00)	(127,975,648.00)
4. Special reserve							
- Accrued		—	—	170,407.92	—	—	170,407.92
- Utilised		—	—	(152,668.50)	—	—	(152,668.50)
Sub-total		—	(35,473,461.52)	17,739.42	—	(37,499,662.11)	(72,955,384.21)
IV. Balance as at 30 June 2018		799,847,800.00	210,546,645.59	17,739.42	175,137,881.43	193,176,789.34	1,378,726,855.78

This interim financial report was approved by the Board of Directors of the Company on 21 August 2018.

Xuan Zongmin
Legal representative
(Signature and stamp)

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The person in charge
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The head of the
accounting department
(Signature and stamp)

(Company Stamp)

The notes on pages 57 to 172 form part of this interim financial report.

Company statement of changes in shareholders' equity (unaudited)

For the six months ended 30 June 2017

(Expressed in Renminbi Yuan)

	Note	Share capital RMB	Capital reserve RMB	Special reserve RMB	Surplus reserve RMB	Retained earnings RMB	Total equity RMB
I. 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
Add: Changes in accounting policies	II.32	—	—	—	—	5,308,355.76	5,308,355.76
Others	VI.4 (m)	—	—	—	—	(10,716,877.30)	(10,716,877.30)
II. Balance as at 1 January 2017 (Restated)		<u>799,847,800.00</u>	<u>246,020,107.11</u>	<u>—</u>	<u>150,375,506.17</u>	<u>116,734,418.57</u>	<u>1,312,977,831.85</u>
III. Changes in equity during the period							
1. Total comprehensive income		—	—	—	—	77,835,013.59	77,835,013.59
2. Appropriation of profits							
- Distributions to shareholders	V.10	—	—	—	—	(103,980,214.00)	(103,980,214.00)
3. Special reserve							
- Accrued		—	—	157,496.33	—	—	157,496.33
- Utilised		—	—	(101,342.00)	—	—	(101,342.00)
Sub-total		<u>—</u>	<u>—</u>	<u>56,154.33</u>	<u>—</u>	<u>(26,145,200.41)</u>	<u>(26,089,046.08)</u>
IV. Balance as at 30 June 2017		<u>799,847,800.00</u>	<u>246,020,107.11</u>	<u>56,154.33</u>	<u>150,375,506.17</u>	<u>90,589,218.16</u>	<u>1,286,888,785.77</u>

The notes on pages 57 to 172 form part of this interim financial report.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

I. COMPANY STATUS

Guangdong Yueyun Transportation Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 28 December 1999 as a limited company under the name of Guangdong Yuedi Communications Company Limited ("Yuedi Communication") 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, Yuedi Communication was converted to a joint stock limited company under the approval of the People's Government Municipality Yue Ban Han [2000] No. 685 and Economic and Trade Commission of Guangdong Province Yue Jing Mao Jian Du [2000] No. 1057. On 1 April 2002, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong Yuedi Communications Company Limited was renamed as Guangdong South China Logistics Enterprise Limited. The registered capital of the Company was RMB 292,187,322.00. On 5 August 2013, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong South China Logistics Enterprise Limited was renamed as Guangdong Yueyun Transportation Company Limited.

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

I. COMPANY STATUS *(Continued)*

The principal businesses of the Company and its subsidiaries (the "Group") include: (1) travel service, mainly including passenger and cargo transportation services within Guangdong Province, interprovincial transportation services, multi-modern 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 catering service, convenience stores and petroleum and gasoline supply; the operation business and toll collection at Tai Ping Interchange in Guangdong Province, the PRC, and advertising; (2) material logistics, mainly including logistics management and supply of construction materials for expressways and other sizable infrastructure projects, and small pieces of express; (3) other business, mainly including property 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

Accounting policies for the recognition and measurement of allowance for expected credit loss for receivables, recognition of cost of inventories, depreciation of fixed assets, amortisation of intangible assets, recognition and measurement of government grant and revenue, the Group are adopted according to the specific characteristics of the Company's operations. Please refer to the relevant notes on accounting policies.

1 Basis of preparation of interim financial report

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

2 Statement of compliance

The Group's interim financial report complies with the requirements of "Accounting Standard for Business Enterprises No.32 – Interim Financial Reporting", and presents truly and completely the consolidated financial position and financial position of the Company as at 30 June 2018, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the period then ended.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the changes in accounting policies set out in Note II. 32.

3 Accounting period

The Group has adopted the calendar year as its accounting year, from 1 January to 31 December. The interim financial report period is from 1 January to 30 June.

4 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. 9.

5 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(1) 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.

(2) 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. 12 (2) (b)) is reclassified as investment income for the current period when the acquisition takes place.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

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.19.

6 Preparation of consolidated financial statements

(1) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

6 Preparation of consolidated financial statements *(Continued)*

(1) General principles *(Continued)*

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 domestic 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.

(2) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

6 Preparation of consolidated financial statements *(Continued)*

(3) 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.

(4) 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.

7 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.12 (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.

8 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

9 Foreign currency transactions and translation of financial statements denominated in foreign currencies

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

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the 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.

10 Financial instruments

Financial instruments include cash at bank and on hand, investments in equity securities other than those classified as long-term equity investments (see Note II.12), receivables, payables, loans and borrowings, debentures payable and share capital.

(1) Recognition and initial 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.

A financial assets (unless it is an accounts receivable without a significant financing component) and financial liabilities is 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. An accounts receivable without a significant financing component is initially measured at the transaction price according to Note II.22.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(2) Classification and subsequent measurement of financial assets *(Continued)*

(a) Classification of financial assets *(Continued)*

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost.

– Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

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.

(5) Derecognition of financial assets and financial liabilities

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(5) Derecognition of financial assets and financial liabilities *(Continued)*

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 measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

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

(6) Impairment

The Group recognises loss allowances for expected credit loss ("ECL") on:

- financial assets measured at amortised cost; and
- lease receivables.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(6) Impairment *(Continued)*

Measurement of ECLs (Continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for accounts receivable and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for accounts receivable and lease receivables, the Group measures loss allowance at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date; or
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(6) Impairment *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(6) Impairment *(Continued)*

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(Continued)*

(7) 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.

11 Inventories

(1) Classification and initial recognition

The Group's inventories mainly include goods on hand, construction materials, spare parts, low-value consumables and packaging materials.

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.

(2) Cost of inventories transferred out

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

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

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

(4) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

11 Inventories *(Continued)*

(5) Inventory count system

The Group maintains a perpetual inventory system.

12 Long-term equity investments

(1) Investment cost of long-term equity investments

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

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

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Long-term equity investments

(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. 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.6.

(b) Investment in joint ventures and associates

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

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

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

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

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

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Long-term equity investments *(Continued)*

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

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

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

The Group makes provision for impairment of investments in joint ventures and associates in accordance with the principles described in Note II.19.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Long-term equity investments *(Continued)*

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

Joint control is the contractually agreed sharing of control of an arrangement exists only when decisions about the relevant activities (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.

13 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.19.

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

14 Fixed assets

(1) 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.

(2) Depreciation of each category of fixed assets

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

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

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

(3) For the method of impairment testing and measurement of fixed assets, refer to Note II. 19.

(4) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

14 Fixed assets *(Continued)*

(5) 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.

15 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.19).

16 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

17 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:

Category	Amortization period (years)
Land use rights	20 - 70/Indefinite
Joint operating earning rights	10
Computer software	5 - 10
Coastline use right	48
Passenger service licenses	Indefinite
Station franchise operating rights	38
Toll bridge franchise operating rights	30
Route license use rights	3 - 20
Others	2-16.25

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 Joint operation earning rights held by the Group was the line operation earning right cooperated with third party.

The Coastline use right held by the Group is the right bought from Dongguan Humen Port Management Committee, the useful life of the coastline is 48 years.

The Passenger service licenses held by the Group was the passenger transportation license bought from third party to provide passenger transportation service in Hong Kong area.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

17 Intangible assets *(Continued)*

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

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

Expenditure on the research phase is recognised in profit or loss when incurred. Expenditure on the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note II.19). Other development expenditure is recognised as an expense in the period in which it is incurred.

18 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 using the straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Category	Amortisation period (years)
Leasehold improvements	5 - 10
Others	2 - 23

For the method of impairment testing and measurement of long-term deferred expenses, refer to Note II.19.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

19 Impairment of assets other than inventories and financial assets

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

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

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

The recoverable amount of an asset (or asset group, set of asset groups, as below), is the higher of its fair value (see Note II.20) less costs to sell and its present value of expected future cash flows.

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 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.

21 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.

22 Revenue

Revenue is the gross inflow of economic benefits 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 when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Revenue *(Continued)*

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Revenue *(Continued)*

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required).

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(1) Road passenger transportation and auxiliary services

Road passenger transportation and auxiliary services include passenger transportation services and passenger and freight station services.

Passenger transportation services include urban passenger transportation services and public transportation services and those provided in cities in Guangdong Province and cross-border transportation between Guangdong Province and Hong Kong. The Group recognises revenue when transportation services are provided to customers and the passengers are carried to the designated locations.

Passenger and freight station services include services provided to transportation companies for ticket sales, vehicle parking and etc. The Group recognises revenue when the transportation companies accept the services and the Group has a present right to payment.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Revenue *(Continued)*

(2) Sales of convenience store goods, petroleum and gasoline

Customers obtain control of convenience store goods, petroleum and gasoline when the goods are delivered to and have been accepted by the customers, customers have a present obligation to payment. Revenue is recognised at that point in time.

(3) Taiping interchange assets operation revenue

Taiping interchange assets operation revenue represents the toll revenue recognised from Taiping interchange franchise operating right. The Group completes the provision of service when vehicle pay the fee and pass through Taiping interchange and revenue is recognised at the same time.

(4) Sales of construction materials

Customers obtain control of construction materials when the goods are delivered to designated locations and accepted. Revenue is recognised at that point in time and the credit term is three months with no cash discount.

For the transfer of construction materials with a right of return, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for the amount expected to be returned, which are estimated based on the historical data. The Group recognises a refund liability based on the amount expected to be returned. An asset is initially measured by reference to the former carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value to the Group of returned products).

23 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

23 Government grants *(Continued)*

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value.

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.

24 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.

25 Income tax

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

(1) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

25 Income tax *(Continued)*

(2) Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

25 Income tax *(Continued)*

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

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.

26 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.

(1) *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.

(2) *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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

26 Operating leases and finance leases *(Continued)*

(3) *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.16).

27 Employee benefits

(1) *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.

(2) *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 makes 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

27 Employee benefits *(Continued)*

(3) 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.

(4) 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.

28 Profit distributions

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

29 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.

30 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.

31 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. 13, 14, 17, 18 and 23 contain information about the accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets, intangible assets, long-term deferred expenses and recognition of government subsidies. Notes V. 1, 3 and 4 contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimate is as follows:

- (i) Note II. 27: Liabilities of retirement benefits.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of the changes

The MOF issued the following revised accounting standards and interpretations in 2017 and 2018:

- CAS No.14 - Revenue (Revised) (the "new revenue standard")
- CAS No.22 - Financial Instruments: Recognition and Measurement (Revised), CAS No.23 - Transfer of Financial Assets (Revised), CAS No.24 - Hedge Accounting (Revised) and CAS No.37 - Presentation and Disclosures of Financial Instruments (Revised) (collectively the "new financial instruments standards")
- CAS Bulletin No.9 - Accounting of Net Investment Losses under Equity Method, CAS Bulletin No.10 - Applying Revenue-based Depreciation Method on Fixed Assets, CAS Bulletin No.11 - Applying Revenue-based Amortisation Method on Intangible Assets and CAS Bulletin No.12 - Determination of Whether the Provider and Receiver of Key Management Personnel Services are Related Parties (collectively the "CAS Bulletins No.9-12")
- Notice on Revision of the 2018 Illustrative Financial Statements (Caikui [2018] No.15)

The Group has applied the above revised accounting standards and interpretations since 1 January 2018 and adjusted the related accounting policies.

(2) Major impact of changes in accounting policies

(i) New revenue standard

The new revenue standard replaces CAS No.14 - Revenue and CAS No.15 - Construction Contracts issued by the MOF in 2006 (the "old revenue standard").

Under old revenue standard, the Group recognised revenue when the risks and rewards had passed to the customers. The Group's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Group and the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and revenue from construction contracts were recognised by reference to the stage of completion of the transaction at the balance sheet date.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies (Continued)

(i) New revenue standard

Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract:

- Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. The Group satisfies a performance obligation over time if certain criteria is met; or otherwise, a performance obligation is satisfied at a point in time. Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.
- The Group have adjusted the relevant accounting policies in accordance with the specific provisions on specific matters or transactions under new revenue standard, such as principal versus agent considerations, sale with a right of return, advance receipts, etc.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies *(Continued)*

(i) New revenue standard *(Continued)*

- Under new revenue standard, the Group presents a contract liability in the balance sheet based on the relationship between the Group's performance and the customer's payment. At the same time, the Group provides more disclosures on revenue and related information based on the disclosure requirements under new revenue standard, such as relevant accounting policies, significant judgments (measurement of variable consideration, the method used to allocate the transaction price to each performance obligation, the assumption used for estimating stand-alone selling price of each performance obligation, etc.), information of contracts with customers (revenue recognised in current period, contract balance, performance obligation, etc.), information of assets related to contract costs, etc.

The effect of adopting new revenue standard on the Group's accounting policies are as follows:

- For road passenger transportation and auxiliary services, under old revenue standard, revenue was recognised when the services were rendered. Under new revenue standard, the Group recognises revenue when transportation services are provided to customers and the passengers are carried to the designated locations.
- For sales of convenience store goods, petroleum and gasoline, under old revenue standard, revenue was recognised when the customer accepted the goods and the related risks and rewards of ownership transferred. Under new revenue standard, customers obtain control of convenience store goods, petroleum and gasoline when the goods are delivered to and have been accepted by the customers, customers has a present obligation to payment. Revenue is recognised at that point in time.
- For Taiping interchange assets operation revenue, under old revenue standard, revenue was recognised according to the period and method of charging as stipulated in the relevant contracts or agreements. Under new revenue standard, the Group the provision of service when vehicle pay the fee and pass through Taiping interchange and revenue is recognised at the same time.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies (Continued)

(i) New revenue standard *(Continued)*

- For sales of construction materials, under old revenue standard, revenue was recognised when the customer accepted the goods and the related risks and rewards of ownership were transferred. Under new revenue standard, customers obtain control of construction materials when the goods are delivered to designated locations and accepted. Revenue is recognised at that point in time.
- The effects on each of the line items in the consolidated balance sheet and the company balance sheet at 30 June 2018 are analysed as follows:

**Adoption of revised accounting policies
increase/(decrease) the amount of the
current financial statement items**

	The Group	The Company
	RMB	RMB
Liabilities:		
Advances from customers	(28,219,426.46)	(7,021,180.23)
Contract liabilities	28,219,426.46	7,021,180.23

- Changes of the above accounting policies have no significant effect on the line items on the consolidated income statement and the company income statement for the six months period ended 30 June 2018 and equity as at 31 December 2017.

(ii) New financial instruments standards

The new financial instruments standards revise CAS No.22 - Financial instruments: Recognition and measurement, CAS No.23 - Transfer of Financial assets and CAS No.24 - Hedging issued by the MOF in 2006 and CAS No.37 - Presentation and Disclosures of Financial Instruments (collecting the "old financial instruments standards").

The Group adopted the new financial instruments standards from 1 January 2018 and made an election to restate the comparative information.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies *(Continued)*

(ii) New financial instruments standards *(Continued)*

The new financial instruments standards contain three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under the new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The new financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under the old financial instruments standards. Under the new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of new financial instruments standards does not have a significant impact on the Group's accounting policies for financial liabilities.

The Group did not have any financial asset or financial liability measured at FVTPL at 1 January 2018. The Group designated the investments in other equity instruments at FVOCI.

The new financial instruments standards replace the "incurred loss" model in the old financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in the old financial instruments standards.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost; and
- lease receivables.

The new ECL model does not apply to investments in equity instruments.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies (Continued)

(ii) New financial instruments standards *(Continued)*

The following table reconciles the closing loss allowance determined in accordance with the old financial instruments standards as at 1 January 2017 and 1 January 2018 with the opening loss allowance determined in accordance with the new financial instruments standards.

	As at 1 January 2018 RMB	As at 1 January 2017 RMB
Loss allowance under the old financial instruments standards		
– Accounts receivable	64,138,071.36	69,916,406.03
– Other receivables	69,193,989.70	62,587,098.56
Sub-total	133,332,061.06	132,503,504.59
	RMB	RMB
Adjustment on initial application of the new financial instruments standards		
– Accounts receivable	49,430,122.66	29,209,603.32
– Other receivables	11,718,564.72	22,894,695.86
Sub-total	61,148,687.38	52,104,299.18

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies *(Continued)*

(ii) New financial instruments standards *(Continued)*

	As at 1 January 2018 RMB	As at 1 January 2017 RMB
Loss allowance of accounts receivable and other receivables of Meizhou Yueyun Vehicles Transportation Company Limited and its subsidiaries ("Meizhou Yueyun Group") acquired through business combination under common control that has adopted the Group's accounting policy applied from 1 January 2018		
– Accounts receivable	821,754.72	695,037.72
– Other receivables	4,693,921.93	6,561,874.40
Sub-total	5,515,676.65	7,256,912.12
	RMB	RMB
Loss allowance under the new financial instruments standards		
– Accounts receivable	114,389,948.74	99,821,047.07
– Other receivables	85,606,476.35	92,043,668.82
Total	199,996,425.09	191,864,715.89

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies (Continued)

(ii) New financial instruments standards *(Continued)*

The Group and the Company have applied the classification and measurement requirements (including impairment) of the new financial instruments standards retrospectively to the items under certain specific circumstances in accordance with the transition requirements, and comparative information has been restated. The following tables provide the impact on the Group's and the Company's net profit for the six months ended 30 June 2017 and the Group's and the Company's shareholders' equity at the beginning and the end of the year 2017 (the impact in relation with adjustments arising from business combinations under common control has been accounted for in the net profit and equity before adjustment):

The Group	For the		
	six months ended	2017	2017
	30 June 2017	Ending balance	Opening balance
	Net profit	of equity	of equity
	Increase/	Increase/	Increase/
	(decrease)	(decrease)	(decrease)
	RMB	RMB	RMB
Net profit and equity before adjustment	278,405,544.49	3,723,905,530.74	3,525,391,390.52
Accounting policy change:			
New financial instruments standards	<u>(7,002,126.17)</u>	<u>(45,665,962.13)</u>	<u>(39,355,697.63)</u>
Net profit and equity after adjustment	<u>271,403,418.32</u>	<u>3,678,239,568.61</u>	<u>3,486,035,692.89</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies (Continued)

(ii) New financial instruments standards *(Continued)*

The Company	For the		
	six months ended	2017	2017
	30 June 2017	2017	2017
	Net profit	Ending balance	Opening balance
		of equity	of equity
	Increase/	Increase/	Increase/
	(decrease)	(decrease)	(decrease)
	RMB	RMB	RMB
Net profit and equity before adjustment	82,173,617.44	1,451,313,014.71	1,307,669,476.09
Accounting policy change:			
New financial instruments standards	<u>(4,338,603.85)</u>	<u>369,225.28</u>	<u>5,308,355.76</u>
Net profit and equity after adjustment	<u>77,835,013.59</u>	<u>1,451,682,239.99</u>	<u>1,312,977,831.85</u>

(iii) CAS Bulletins No.9-12

The Group has reviewed the relevant accounting policies in accordance with the requirements related to the accounting of net investment losses under equity method, the depreciation and amortisation methods of fixed assets and intangible assets and the related party identification and disclosure of key management personnel services of CAS Bulletins No.9-12.

The adoption of CAS Bulletins No.9-12 does not have material impact on the financial position and financial performance of the Group.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies and accounting estimates *(Continued)*

(2) Major impact of changes in accounting policies (Continued)

(iv) Presentation of financial statements

The Group has prepared financial statements for the period ended 30 June 2018 in accordance with the presentation format of the financial statements specified in Caikui [2018] No.15. The Group has applied the new presentation requirements retrospectively(see Note. VIII).

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2017:

The amount recorded in "Bills receivable" and "Accounts receivable" is now recorded in "Bills and accounts receivable";

The amount recorded in "Interest receivable", "Dividends receivable" and "Other receivables" is now recorded in "Other receivables";

The amount recorded in "Bills payable" and "Accounts payable" is now recorded in "Bills and accounts payable"; and

The amount recorded in "Interest payable", "Dividends payable" and "Other payables" is now recorded in "Other payables".

Affected income and expenses items in the consolidated income statement for the six months ended 30 June 2017:

The research and development expense recorded in "General and administrative expenses" is now recorded separately as "Research and development expense".

Considering the changes of the accounting policy and the presentation of financial statements, the adjusted consolidated balance sheet as at 31 December 2017 and the consolidated income statement for the six months ended 30 June 2017 are shown in Note VIII.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

III. TAXATION

Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value added tax ("VAT")	Income from sale of goods (Note 1)	17% or 16%, 13%, 11% or 10%
VAT	Transportation income	11%, 3%, 0%, exempted
VAT	Income from pier cargo storage and rescue service	6%
VAT	Service income derived from highway facilities and other auxiliary facilities (Note 1, 2)	11% or 10%, 6%, 5%
VAT	Income from construction contracts and toll income (Note 2)	11%, 3%
City maintenance and construction tax	VAT paid	7%, 5%
Education surcharge and local education surcharge	VAT paid	3%, 2%
Cultural construction fee	Income from advertisements	3%
Enterprise income tax	Taxable profit (Note 3)	25%, 20%
Hong Kong profits tax	Assessable profit (Note 4)	16.5%

Note 1: According to "The Announcement of Simplification and Combination of Value Added Tax Rate Policy" (Cai shui [2017] No. 37) issued by MOF and National Tax Bureau 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. According to "The Announcement of adjustment on Value Added Tax Rate Policy" (Cai shui [2018] No.32) issued by MOF and National Tax Bureau, the applicable tax rates for the sales or import of goods have been changed from 17% and 11% to 16% and 10% respectively since 1 May 2018.

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

III. TAXATION (Continued)

Note 3: The Group's subsidiaries Guangdong Yunxing Property Management Company Limited, Zhaoqing City Yueyun Logistics Co., Limited, Lianping Yueyun Passenger Transportation Company Limited, Guangdong Gangtong Vehicles Transportation Company Limited, Zhongshan City Yueyun Airport Express Passenger Traffic Co., Limited, Ruyuan Yaozu autonomous county Shunda City City-Village Public Transportation Co., Limited and Shaoguan City Xi'an Tourist Transportation Company Limited meet the conditions of small-scaled minimal profit enterprise. Pursuant to Caishui [2017] No. 43, "The Announcement of expanding Preferential tax treatment of Small-scaled minimal profit enterprise" issued by MOF and National Tax Bureau, the Small-scaled minimal profit enterprise with an annual taxable income below RMB 500,000 (RMB 500,000 included) is entitled to a preferential tax treatment of 50% exemption of taxable income and application of income tax rate as 20% from 1 January 2017 to 31 December 2019. Pursuant to Caishui [2018] No. 77, "The Announcement of further expanding Preferential tax treatment of Small-scaled minimal profit enterprise" issued by MOF and National Tax Bureau on 11 July 2018, annual maximum taxable income increased from RMB 500,000 to RMB 1,000,000, the Small-scaled minimal profit enterprise with an annual taxable income below RMB 1,000,000 (RMB 1,000,000 included) is entitled to a preferential tax treatment of 50% exemption of taxable income and application of income tax rate as 20% from 1 January 2018 to 31 December 2020.

Except for the above companies, the income tax rate applicable to the Company and each of its mainland subsidiaries for the period is 25% (corresponding period in 2017: 25%).

Note 4: The applicable Hong Kong profits tax rate for the period is 16.5% for the four subsidiaries: Yueyun Transportation (HK) Company Limited, The Motor Transport Company of Guangdong and Hong Kong Limited, Gang Tong (HK) Motor Transport Company Limited and Guangdong Yue Li Jia Passenger Transport Company (Hong Kong) (corresponding period in 2017: 16.5%).

Pursuant to the Financial Budget Proposal announced by Hong Kong government on 28 February 2018, enterprises registered in Hong Kong are entitled to a one-off preferential tax treatment of 75% exemption of profit tax in 2018 with the maximum of HK\$ 30,000.

Pursuant to the Financial Budget Proposal announced by Hong Kong government on 22 February 2017, enterprises registered in Hong Kong are entitled to a one-off preferential tax treatment of 75% exemption of profit tax in 2017 with the maximum of HK\$ 20,000.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

1 Subsidiaries acquired through establishment or investment during the period

No.	Full name of the subsidiary	Type	Incorporation place	Registration place	Business nature	Registration capital RMB	Period end actual investment RMB	Share holding percentage %	Voting rights percentage %
1	Maoming City Danbai District Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	18,000,000.00	9,180,000.00	51	51

2 Subsidiaries acquired through business combination under common control during the period

No.	Full name of the subsidiary	Type	Incorporation place	Registration place	Business nature	Registration capital RMB	Period end actual investment RMB	Share holding percentage %	Voting rights percentage %
1	Meizhou Yueyun Vehicles Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	38,000,000.00	38,000,000.00	100	100
2	Meizhou Vehicles Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	4,500,000.00	4,500,000.00	100	100
3	Xingning Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	4,000,000.00	4,000,000.00	100	100
4	Dapu Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	3,200,000.00	3,200,000.00	100	100
5	Wuhua Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	4,500,000.00	4,500,000.00	100	100
6	Pingyuan Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	3,200,000.00	3,200,000.00	100	100
7	Jiaoling Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	2,600,000.00	2,600,000.00	100	100
8	Meizhou Jiangnan Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	2,000,000.00	2,000,000.00	100	100
9	Meizhou Vehicle Materials Supply Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Rentals of property and sales of goods	1,000,000.00	1,000,000.00	100	100
10	Dapu Yueyun Motor Inspection Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle inspection	5,000,000.00	2,550,000.00	51	51

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(Continued)

3 Business combinations involving enterprises under common control during the period

According to the asset swap agreement the Group entered into with Guangzhou Yueyun Investment Management Company Limited ("Yueyun Investment Management"), a subsidiary of GCGC, on 21 December 2017 (the "Asset Swap Agreement"), the Group agreed to sell and Yueyun Investment Management agreed to acquire 100% equity of the Group's subsidiary, Guangdong South China Logistics Enterprise Company Limited and its subsidiaries ("South China Logistics Enterprise Group") at a consideration of RMB 314,467,600.00, which shall be satisfied by Yueyun Investment Management by way of transferring to the Group 100% equity of Meizhou Yueyun Group at a consideration of RMB 286,087,600.00, and payment of RMB 28,380,000.00 in cash representing the difference. The cash consideration was settled in May 2018. On 30 March 2018, the transaction was completed. The above entities involved in the transaction are all ultimately controlled by GCGC, the parent company of the Company, both before and after the business combination, and the control is not transitory.

Meizhou Yueyun Group was established on 27 April 1982 in Meizhou City, Guangdong province, with its head office located in Meizhou City. Meizhou Yueyun Group is mainly engaged in providing road passenger transportation services.

Key financial information of Meizhou Yueyun Group is as follows:

	From 1 January 2018 to 30 March 2018 (combination date) RMB
Revenue	76,331,817.68
Net profit	5,282,794.19
Net cash inflow	6,381,022.17

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(Continued)

3 Business combinations involving enterprises under common control during the period

(Continued)

The carrying amounts of the assets and liabilities are as follows:

	30 March 2018 RMB	31 December 2017 RMB
Current assets	113,823,967.83	100,801,245.61
Non-current assets	318,126,267.41	314,440,023.90
Current liabilities	(144,628,541.90)	(144,737,132.98)
Non-current liabilities	(141,155,942.75)	(129,297,604.91)
Net assets	146,165,750.59	141,206,531.62
Less: Non-controlling interests	2,386,717.90	2,450,270.34
Net assets acquired	143,779,032.69	138,756,261.28

4 Former subsidiaries that ceased to be consolidated during the period

As mentioned in Note IV. 3, according to the Asset Swap Agreement, the Company completed the assets swap with Yueyun Investment Management on 30 March 2018. Accordingly, the Group has lost the control over South China Logistics Enterprise Group. The impact on the shareholders' equity totaling RMB 295,009,447.52 arising from the assets swap was recorded in the consolidated financial statements by offsetting capital reserve by RMB 196,713,383.50, surplus reserve by RMB 9,829,606.40 and retained earnings by RMB 88,466,457.62, respectively. The decreases of fixed assets, intangible assets and deferred income arising from the assets swap were disclosed in Note V.3, 4 and 14, respectively.

Chaozhou City Yueyun Motor Transportation Co., Ltd., a subsidiary of the Group, was deregistered on 12 January 2018. 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 statement for the six months ended 30 June 2018.

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

As at 30 June 2018, overseas subsidiaries translate all assets and liabilities items in the balance sheets by applying the spot exchange rate at the period end as HKD 1 against RMB 0.8431; and all items in the income statement and items reflecting the distributions of profits are translated by applying the average exchange rate during the period as HKD 1 against RMB 0.8395.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT

1 Bills and accounts receivable

The Group

		As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Bills receivable	Note (1)	550,738.40	36,505,607.26
Accounts receivable	Note (2)	511,969,211.60	837,980,469.99
Total		512,519,950.00	874,486,077.25

The Company

		As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Accounts receivable	Note (2)	197,346,226.29	386,465,754.68

(1) Bills receivable

The Group

(a) Classification of bills receivable:

	As at 30 June 2018 RMB	As at 31 December 2017 RMB
Bank acceptance bills	550,738.40	36,505,607.26

(b) The Group had no undue pledged or discounted bank acceptance bills, undue endorsed bank acceptance bills or bills receivable unfulfilled by the drawer that were transferred to accounts receivable at 30 June 2018 and 31 December 2017. The above bills receivable would be due within 12 months.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

1 Bills and accounts receivable *(Continued)*

(2) Accounts receivable

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

The Group

	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Ageing		
Within 3 months (inclusive)	377,735,662.22	699,313,041.91
Over 3 months and within 6 months (inclusive)	60,427,751.71	46,185,762.43
Over 6 months and within 1 year (inclusive)	59,660,998.61	40,365,403.58
Over 1 year and within 2 years (inclusive)	20,447,484.28	25,854,291.48
Over 2 years and within 3 years (inclusive)	8,588,556.04	14,090,448.43
Over 3 years	38,534,015.54	126,561,470.90
Sub-total	565,394,468.40	952,370,418.73
Less: Provisions for bad and doubtful debts	(53,425,256.80)	(114,389,948.74)
Total	511,969,211.60	837,980,469.99

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

The Company

	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Ageing		
Within 3 months (inclusive)	159,773,995.70	294,606,115.89
Over 3 months and within 6 months (inclusive)	12,382,199.47	9,301,842.98
Over 6 months and within 1 year (inclusive)	2,554,000.01	17,694,240.35
Over 1 year and within 2 years (inclusive)	11,430,602.31	5,050,021.00
Over 2 years and within 3 years (inclusive)	3,701,604.91	4,879,044.80
Over 3 years	35,514,669.83	99,814,994.25
Sub-total	225,357,072.23	431,346,259.27
Less: Provisions for bad and doubtful debts	(28,010,845.94)	(44,880,504.59)
Total	197,346,226.29	386,465,754.68

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

1 Bills and accounts receivable (Continued)

(2) Accounts receivable (Continued)

(b) Impairment of accounts receivable

The Group

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on ageing of accounts receivable. As the Group's historical credit loss experience indicates that significantly different loss patterns for different segments, the loss allowances based on ageing information is further distinguished between the Group's different customer bases, which include road transportation and other service, service zone operation and constructions materials supply for the purpose of measuring ECLs.

	ECL	As at 30 June 2018		As at 31 December 2017	
		Book value RMB	Provisions for bad and doubtful debts RMB	Book value RMB (Restated)	Provisions for bad and doubtful debts RMB (Restated)
Road transportation and other service					
Within one year (inclusive)	5%	263,024,976.36	(13,151,248.82)	189,477,251.04	(9,473,862.54)
Over 1 year and within 2 years (inclusive)	35%	6,725,770.80	(2,354,019.78)	7,643,163.59	(2,675,107.26)
Over 2 years and within					
3 years (inclusive)	50%	3,650,280.84	(1,825,140.42)	4,632,971.43	(2,316,485.72)
Over 3 years	100%	4,468,428.59	(4,468,428.59)	4,332,108.06	(4,332,108.06)
Sub-total		277,869,456.59	(21,798,837.61)	206,085,494.12	(18,797,563.58)
Service zone operation					
Within one year (inclusive)	5%	60,089,241.00	(3,004,462.04)	60,866,996.95	(3,043,349.85)
Over 1 year and within 2 years (inclusive)	10%	2,291,111.17	(229,111.12)	897,130.03	(89,713.00)
Over 2 years and within					
3 years (inclusive)	30%	1,236,670.29	(371,001.09)	855,324.90	(256,597.47)
Over 3 years	50%	21,998.00	(10,999.00)	21,998.00	(10,999.00)
Sub-total		63,639,020.46	(3,615,573.25)	62,641,449.88	(3,400,659.32)
Constructions materials supply					
Within one year (inclusive)	5%	174,710,195.18	(8,735,509.76)	535,519,959.93	(26,775,998.00)
Over 1 year and within 2 years (inclusive)	10%	11,430,602.31	(1,143,060.23)	17,313,997.86	(1,731,399.79)
Over 2 years and within					
3 years (inclusive)	30%	3,701,604.91	(1,110,481.47)	8,602,152.10	(2,580,645.63)
Over 3 years	50%	34,043,588.95	(17,021,794.48)	122,207,364.84	(61,103,682.42)
Sub-total		223,885,991.35	(28,010,845.94)	683,643,474.73	(92,191,725.84)
Total		565,394,468.40	(53,425,256.80)	952,370,418.73	(114,389,948.74)

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

1 Bills and accounts receivable *(Continued)*

(2) Accounts receivable *(Continued)*

(b) Impairment of accounts receivable *(Continued)*

The Company

The Company measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on ageing of accounts receivable. As the Company's historical credit loss experience indicates the Company does not have any significant credit loss from its subsidiaries, considering the current economic conditions and environment, the Company considers the lifetime ECLs for receivables due from subsidiaries is remote. The following table provides the information about the Company's exposure to credit risk and ECLs for accounts receivable other than receivables due from the Company's subsidiaries.

	ECL	As at 30 June 2018		As at 31 December 2017	
		Book value RMB	Provisions for bad and doubtful debts RMB	Book value RMB (Restated)	Provisions for bad and doubtful debts RMB (Restated)
Within one year (inclusive)	5%	174,710,195.18	(8,735,509.76)	190,277,808.40	(9,513,890.42)
Over 1 year and within 2 years (inclusive)	10%	11,430,602.31	(1,143,060.23)	5,050,021.00	(505,002.10)
Over 2 years and within 3 years (inclusive)	30%	3,701,604.91	(1,110,481.47)	4,879,044.80	(1,463,713.44)
Over 3 years	50%	34,043,588.95	(17,021,794.48)	66,795,797.26	(33,397,898.63)
Total		<u>223,885,991.35</u>	<u>(28,010,845.94)</u>	<u>267,002,671.46</u>	<u>(44,880,504.59)</u>

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

1 Bills and accounts receivable *(Continued)*

(2) Accounts receivable *(Continued)*

- (c) The analysis of the movements of credit loss for accounts receivable for the six months ended 30 June 2018 and the year ended 31 December 2017 is as follows:

The Group

	For the six months ended 30 June 2018 RMB	2017 RMB (Restated)
Adjusted balance at the beginning of the period/year	(114,389,948.74)	(99,821,047.07)
Reversal/(addition) during the period/year	32,318,700.98	(14,586,741.94)
Written-off during the period/year	428,407.89	14,602.80
Decrease resulting from consolidation scope change	28,217,583.07	3,237.47
Balance at the end of the period/year	<u>(53,425,256.80)</u>	<u>(114,389,948.74)</u>

The Company

	For the six months ended 30 June 2018 RMB	2017 RMB (Restated)
Adjusted balance at the beginning of the period/year	(44,880,504.59)	(41,470,161.92)
Reversal/(addition) during the period/year	16,869,658.65	(3,410,342.67)
Balance at the end of the period/year	<u>(28,010,845.94)</u>	<u>(44,880,504.59)</u>

2 Investments in other equity instruments

As at 30 June 2018 and 31 December 2017, the investments in other equity instruments of the Group and the Company were equity investments. They are designated as equity investments at FVOCI. The fair value measurement of the above equity investments is categorised in Level 3.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3 Fixed assets

The Group

	Note IV	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 31 December								
2017 (Restated)		1,129,429,204.07	161,095,431.67	140,099,276.34	297,653,734.81	3,184,110,933.51	90,628,461.88	5,003,017,042.28
Additions during the period								
Purchases		757,394.36	129,928.20	2,225,534.76	12,942,151.94	117,582,586.97	—	133,637,596.23
Transferred from construction in progress		33,787,104.51	489,933.83	5,898,753.54	2,964,688.14	193,259,289.69	—	236,399,769.71
Transferred from investment properties		41,121,629.77	—	—	—	—	—	41,121,629.77
Foreign currency financial statement translation differences		262,858.05	—	8,999.84	52,667.20	1,984,736.13	—	2,309,261.22
Deductions during the period								
Disposals during the period		(1,501,127.64)	(1,349,713.05)	(497,659.85)	(3,009,350.79)	(81,184,541.02)	—	(87,542,392.35)
Deductions resulting from consolidation scope change	4	(15,012,160.91)	—	(78,849,989.91)	(3,117,961.56)	(7,326,759.68)	(90,628,461.88)	(194,935,333.94)
Balance as at 30 June 2018		1,188,844,902.21	160,365,580.65	68,884,914.72	307,485,929.74	3,408,426,245.60	—	5,134,007,572.92
Accumulated depreciation								
Balance as at 31 December								
2017 (Restated)		(295,715,741.02)	(106,168,967.38)	(67,153,873.43)	(196,715,702.91)	(1,637,287,164.45)	(12,864,878.41)	(2,315,906,327.60)
Charges during the period		(21,752,722.21)	(6,148,223.88)	(3,873,284.99)	(17,585,130.49)	(215,336,485.19)	(632,010.87)	(265,327,857.63)
Transferred from investment properties		(11,212,481.34)	—	—	—	—	—	(11,212,481.34)
Foreign currency financial statement translation differences		(103,606.54)	—	(8,784.86)	(42,469.50)	(1,561,717.65)	—	(1,716,578.55)
Written off on disposal		425,459.81	—	101,371.46	2,028,064.70	75,188,682.18	—	77,743,578.15
Deductions resulting from consolidation scope change	4	4,932,174.29	—	43,506,179.05	2,010,854.98	5,500,549.05	13,496,889.28	69,446,646.65
Balance as at 30 June 2018		(323,426,917.01)	(112,317,191.26)	(27,428,392.77)	(210,304,383.22)	(1,773,496,136.06)	—	(2,446,973,020.32)

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3 Fixed assets (Continued)

The Group (Continued)

	Buildings and structures RMB	Building improvements RMB	Machinery and equipment RMB	Electronic equipment, office equipment and others RMB	Transportation vehicles RMB	Pier RMB	Total RMB
Provision for impairment							
Balance as at 31 December 2017 (Restated)	—	—	—	—	(3,421,457.35)	—	(3,421,457.35)
Charges during the period	—	—	—	—	(665,909.49)	—	(665,909.49)
Balance as at 30 June 2018	—	—	—	—	(4,087,366.84)	—	(4,087,366.84)
Carrying amount							
As at 30 June 2018	865,417,985.20	48,048,389.39	41,456,521.95	97,181,546.52	1,630,842,742.70	—	2,682,947,185.76
As at 31 December 2017 (Restated)	833,713,463.05	54,926,464.29	72,945,402.91	100,938,031.90	1,543,402,311.71	77,763,583.47	2,683,689,257.33

As at 30 June 2018, the original cost of fixed assets that were fully depreciated but were still in use was RMB 1,096,267,699.70 (31 December 2017: RMB 952,837,556.35).

As at 30 June 2018, fixed assets with carrying amount of RMB 231,915,656.44 (31 December 2017: RMB 234,116,525.15) were pledged for bank borrowings, among which, RMB 213,924,069.83 were pledged for long-term loans (31 December 2017: RMB 229,898,197.63) and RMB 17,991,586.61 were pledged for short-term loans (31 December 2017: RMB 4,218,327.52). As at 30 June 2018, transportation vehicles with carrying amount of RMB 201,464,603.69 were pledged for obligations under finance leases, and these transportation vehicles were acquired under finance leases (31 December 2017: RMB 133,688,369.79). As at 30 June 2018, there were no other restricted fixed assets of the Group.

On 30 June 2018, the buildings and structures in Guangzhou, Qingyuan, Foshan, Shaoguan, Zhaoqing, Shanwei, Shenzhen, Meizhou and Heyuan etc. have not yet obtained the certificates of title. As at 30 June 2018, the carrying amount of such buildings was RMB 382,669,619.14 (31 December 2017: RMB 380,163,078.44).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

3 Fixed assets (Continued)

The Company

	Transportation vehicles RMB	Electronic equipment, office equipment and others RMB	Buildings and structures RMB	Total RMB
Cost				
Balance as at 31 December 2017	10,572,013.42	10,475,667.11	3,424,779.00	24,472,459.53
Additions during the period	—	2,126,550.00	—	2,126,550.00
Balance as at 30 June 2018	10,572,013.42	12,602,217.11	3,424,779.00	26,599,009.53
Accumulated depreciation				
Balance as at 31 December 2017	(9,878,757.04)	(8,302,933.04)	(325,354.08)	(18,507,044.16)
Charges during the period	(41,362.08)	(441,159.89)	(81,338.52)	(563,860.49)
Balance as at 30 June 2018	(9,920,119.12)	(8,744,092.93)	(406,692.60)	(19,070,904.65)
Carrying amount				
As at 30 June 2018	651,894.30	3,858,124.18	3,018,086.40	7,528,104.88
As at 31 December 2017	693,256.38	2,172,734.07	3,099,424.92	5,965,415.37

As at 30 June 2018, the original cost of the fixed assets that were fully depreciated but were still in use was RMB 18,275,486.26 (31 December 2017: RMB 16,109,417.86).

As at 30 June 2018, the Company had no restricted fixed assets and had no buildings without certificates of title (31 December 2017: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

4 Intangible assets

The Group

	Note IV	Land use rights RMB	Joint operation earning rights RMB	Computer software RMB	Coastline use right RMB	Passenger service licenses RMB	Station and toll bridge franchise operating rights RMB	Line license use rights RMB	Others RMB	Total RMB
Cost										
Balance as at 31 December 2017 (Restated)		906,032,799.29	42,747,190.60	46,389,899.40	7,110,000.00	25,263,172.95	387,478,456.26	207,336,494.78	4,316,379.48	1,626,674,392.76
Additions during the period		5,998,237.08	—	838,126.80	—	3,861,700.00	—	—	—	10,698,063.88
Transferred from construction in progress		—	—	1,497,398.06	—	—	—	—	—	1,497,398.06
Transferred from investment properties during the period		27,863,138.55	—	—	—	—	—	—	—	27,863,138.55
Foreign currency financial statement translation differences		318,365.22	—	—	—	233,858.77	—	—	—	552,223.99
Disposal during the period		(3,962,918.82)	—	—	—	—	—	—	—	(3,962,918.82)
Deductions resulting from consolidation scope change	4	(97,676,190.69)	—	(2,196,666.66)	(7,110,000.00)	—	—	—	(70,000.00)	(107,052,857.35)
Balance as at 30 June 2018		838,573,480.63	42,747,190.60	46,528,757.60	—	29,358,731.72	387,478,456.26	207,336,494.78	4,246,379.48	1,556,269,441.07
Accumulated amortisation										
Balance as at 31 December 2017 (Restated)		(132,875,365.28)	(11,705,340.51)	(25,878,967.55)	(1,626,255.33)	—	(230,675,249.71)	(94,514,753.77)	(1,106,871.50)	(498,382,803.65)
Charges during the period		(9,429,731.84)	(975,445.04)	(2,640,938.05)	(38,816.55)	—	(9,063,990.18)	(9,642,402.39)	(104,858.28)	(31,896,182.33)
Transferred from investment properties during the period		(3,345,142.56)	—	—	—	—	—	—	—	(3,345,142.56)
Foreign currency financial statement translation differences		(108,573.88)	—	—	—	—	—	—	—	(108,573.88)
Disposal during the period		786,293.33	—	—	—	—	—	—	—	786,293.33
Deductions resulting from consolidation scope change	4	22,753,003.28	—	1,246,025.64	1,665,071.88	—	—	—	70,000.00	25,734,100.80
Balance as at 30 June 2018		(122,219,516.95)	(12,680,785.55)	(27,273,879.96)	—	—	(239,739,239.89)	(104,157,156.16)	(1,141,729.78)	(507,212,308.29)
Carrying amount										
As at 30 June 2018		716,353,913.68	30,066,405.05	19,254,877.64	—	29,358,731.72	147,739,216.37	103,179,338.62	3,104,649.70	1,049,057,132.78
As at 31 December 2017 (Restated)		773,157,434.01	31,041,850.09	20,510,931.85	5,483,744.67	25,263,172.95	156,803,206.55	112,821,741.01	3,209,507.98	1,128,291,589.11

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

4 Intangible assets (Continued)

As at 30 June 2018, land use rights with carrying amount of RMB 79,110,534.72 (31 December 2017: RMB 79,365,456.38) were obtained through allocation. As the certificates of title did not stipulate useful life, these land use rights had not been amortised.

As at 30 June 2018, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB 99,896,491.06 (31 December 2017: RMB 108,352,067.98) was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Group as mentioned in Note V. 9. In addition, land use rights with carrying amount of RMB 190,651,887.93 (31 December 2017: RMB 111,271,971.25) were pledged for bank loans, among which, RMB 174,842,182.58 were pledged for long-term loans (31 December 2017: RMB 110,816,421.67), RMB 15,809,705.35 were pledged for short-term loans (31 December 2017: RMB 455,549.58), and RMB 1,025,674.00 were pledged for long-term payables (31 December 2017: RMB 1,025,674.00). As at 30 June 2018, there were no other restricted intangible assets of the Group.

As at 30 June 2018, the carrying amount of the land use rights located in Qingyuan, Meizhou, Shanwei and Shaoguan etc. without certificates of title was RMB 16,152,271.43 (31 December 2017: RMB 12,880,143.90).

The Company

	Computer software RMB	Toll bridge franchise operating rights RMB	Total RMB
Cost			
Balance as at 31 December 2017	30,439,360.83	334,103,442.14	364,542,802.97
Additions during the period	2,082,840.00	—	2,082,840.00
Balance as at 30 June 2018	32,522,200.83	334,103,442.14	366,625,642.97
Accumulated amortisation			
Balance as at 31 December 2017	(23,987,581.60)	(225,751,374.16)	(249,738,955.76)
Charges during the period	(1,047,543.96)	(8,455,576.92)	(9,503,120.88)
Balance as at 30 June 2018	(25,035,125.56)	(234,206,951.08)	(259,242,076.64)
Carrying amount			
As at 30 June 2018	7,487,075.27	99,896,491.06	107,383,566.33
As at 31 December 2017	6,451,779.23	108,352,067.98	114,803,847.21

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

5 Short-term loans

		The Group	
		As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Unsecured loans	Note VI	25,000,000.00	161,000,000.00
Including: Loans from banks		10,000,000.00	98,000,000.00
Loans from GCG Finance	4(b)	15,000,000.00	63,000,000.00
Loans secured by mortgages	Note 1	30,000,000.00	5,000,000.00
Loans secured by letter of credit	Note 2	—	51,806,642.67
Total	Note 3	55,000,000.00	217,806,642.67

Note 1: As at 30 June 2018, fixed assets with carrying amount of RMB 17,991,586.61 and intangible assets with carrying amount of RMB 15,809,705.35 were pledged for loans secured by mortgages. As at 31 December 2017, fixed assets with carrying amount of RMB 4,218,315.52 and intangible assets with carrying amount of RMB 455,549.58 were pledged for loans secured by mortgages.

Note 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 exchanged to RMB 51,806,642.67 and the loan period was 60 days.

Note 3: As at 30 June 2018, the Group's short-term loans were borrowings from banks and other financial institutions within 1 year, which bear interest rates ranging from 4.00% to 4.35% per annum (31 December 2017: 4.00% to 4.35% per annum). The Group had no overdue short-term loans as at 30 June 2018 (31 December 2017: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

6 Bills and accounts payable

		The Group		The Company	
		As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Bills payable	Note (1)	72,508,360.00	787,530,251.25	53,500,000.00	473,950,000.00
Accounts payable	Note (2)	474,072,740.71	854,672,300.91	20,815,673.23	104,442,323.80
Total		546,581,100.71	1,642,202,552.16	74,315,673.23	578,392,323.80

(1) *Bills payable*

	The Group		The Company	
	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)	As at 30 June 2018 RMB	As at 31 December 2017 RMB
Bank acceptance bills	72,508,360.00	787,530,251.25	53,500,000.00	473,950,000.00

The above bills payable are due within one year.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

6 Bills and accounts payable (Continued)

(2) Accounts payable

(a) The ageing analysis of accounts payable is as follows:

Ageing	The Group		The Company	
	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Within 3 months (inclusive)	225,621,826.87	500,071,668.52	8,486,154.01	72,469,217.59
Over 3 months and within 6 months (inclusive)	64,141,796.97	99,620,146.95	334,729.67	433,891.05
Over 6 months and within 1 year (inclusive)	76,399,859.79	164,014,436.38	3,068,841.81	3,980,205.14
Over 1 year and within 2 years (inclusive)	59,260,692.03	27,584,359.43	4,288,094.68	4,469,475.54
Over 2 years and within 3 years (inclusive)	20,350,417.16	13,357,963.84	529,169.14	15,072.85
Over 3 years	28,298,147.89	50,023,725.79	4,108,683.92	23,074,461.63
Total	474,072,740.71	854,672,300.91	20,815,673.23	104,442,323.80

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

6 Bills and accounts payable (Continued)

(2) Accounts payable (Continued)

(b) The nature analysis of accounts payable is as follows:

Items	The Group		The Company	
	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Materials payable	68,001,799.23	244,100,282.11	13,012,682.48	77,366,172.55
Purchase and construction of long-term assets payable	146,204,196.25	362,693,151.75	5,179,692.08	12,668,362.39
Transportation fees payable	141,090,949.34	138,554,180.52	—	—
Contract payment for expressway service zone	72,268,880.75	49,261,897.33	—	—
Fuel expenses payable	13,159,643.38	10,211,115.00	—	—
Service fees	15,036,631.07	21,911,681.74	—	10,716,877.30
Others	18,310,640.69	27,939,992.46	2,623,298.67	3,690,911.56
Total	474,072,740.71	854,672,300.91	20,815,673.23	104,442,323.80

7 Non-current liabilities due within one year

	Note V	The Group	
		As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Long-term loans due within one year	8	129,023,268.63	71,688,121.58
Long-term payables due within one year		85,025,920.47	46,030,588.71
Deferred income due within one year		44,184,240.63	40,627,712.25
Total		258,233,429.73	158,346,422.54

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

8 Long-term loans

		The Group	
		As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
	Note VI		
Unsecured loans		538,274,039.52	461,462,236.71
Including: Loans from banks		32,274,039.52	12,962,236.71
Loans from GCG Finance	4(b)	506,000,000.00	448,500,000.00
Loans secured by mortgages	Note 1	203,372,883.74	168,301,017.89
Guaranteed loans	Note 2	31,821,175.00	—
Total	Note 3	773,468,098.26	629,763,254.60
Less: Long-term loans due within one year			
Including: Unsecured loans		36,912,477.23	18,088,760.55
Loans secured by mortgages		78,650,091.40	53,599,361.03
Guaranteed loans		13,460,700.00	—
Sub-total (Note V.7)		129,023,268.63	71,688,121.58
Long-term loans due after 1 year		644,444,829.63	558,075,133.02
Including: Due after 1 year but within 2 years		263,344,443.81	211,716,083.87
Due after 2 years but within 5 years		381,100,385.82	346,359,049.15

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

Note 2: As at 30 June 2018, the Group's guaranteed loans were from the subsidiary Foshan City Yueyun Public Transportation Co., Ltd., which were guaranteed by Zhengzhou Anchi Bonding Co., Ltd.

Note 3: As at 30 June 2018, the Group's long-term loans were borrowings from banks and other financial institutions with interest rates ranging from 4.28% to 5.23% per annum (31 December 2017: 4.28% to 4.90% per annum). The Group did not have any expired but outstanding long-term loans as at 30 June 2018 (31 December 2017: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

9 Bonds payable

Items	Face value RMB	Issuing date	Period	Issuing amount RMB	Carrying amount as at 1 January 2018 RMB	Amortisation for the period RMB	Carrying amount as at 30 June 2018 RMB
2014 corporate bond (first phase)	400,000,000.00	28/09/2015	7 years	400,000,000.00	397,425,573.18	246,672.84	397,672,246.02
2014 corporate bond (second phase)	380,000,000.00	17/12/2015	5 years	380,000,000.00	377,885,243.01	338,730.99	378,223,974.00
Total	<u>780,000,000.00</u>			<u>780,000,000.00</u>	<u>775,310,816.19</u>	<u>585,403.83</u>	<u>775,896,220.02</u>

The bonds are long-term bonds issued by the Company with the Morgan Stanley Huaxin Securities Company Limited as a lead underwriter. Relevant interest is calculated and paid annually at a coupon rate of 4.20% and 3.58% per annum respectively 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Retained earnings

		The Group	
		For the six months ended 30 June	
	Note IV	2018 RMB	2017 RMB (Restated)
Retained earnings at the beginning of the period		1,275,233,926.21	994,629,115.47
Add: Net profit attributable to the shareholders of the Company for the period		208,656,715.28	227,311,394.95
Less: Final dividends in respect of the previous financial year, approved and declared during the interim period	Note 1	(127,975,648.00)	(103,980,214.00)
Business combinations involving enterprises under common control	4	(88,466,457.62)	—
Retained earnings at the end of the period	Note 2	<u>1,267,448,535.87</u>	<u>1,117,960,296.42</u>
Including: Interim dividend approved and declared after the balance sheet date of the interim period	Note 3	—	—

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Retained earnings *(Continued)*

	The Company	
	For the six months ended 30 June	
	2018	2017
	RMB	RMB
		(Restated)
Retained earnings at the beginning of the period	230,676,451.45	116,734,418.57
Add: Net profit for the period	90,475,985.89	77,835,013.59
Less: Final dividends in respect of the previous financial year, approved and declared during the interim period	Note 1 (127,975,648.00)	(103,980,214.00)
Retained earnings at the end of the period	Note 4 193,176,789.34	90,589,218.16
Including: Interim dividend approved and declared after the balance sheet date of the interim period	Note 3 —	—

Note 1: A final dividend of RMB 0.16 per share (tax included) for year 2017 was approved for distribution by shareholders at the Annual General Meeting held on 19 June 2018. The total amount of 2017 final dividend was RMB 127,975,648.00, calculated based on the total number of shares of 799,847,800 (corresponding period in 2017: RMB 0.13 per share (tax included), amounting to RMB 103,980,214.00 in total).

Note 2: As at 30 June 2018, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB 350,093,167.00 (31 December 2017: RMB 384,074,771.46).

Note 3: The Board does not recommend distribution of an interim dividend for the period (corresponding period in 2017: Nil).

Note 4: As at 30 June 2018, the Company's distributable profits is RMB 193,176,789.34 (31 December 2017: RMB 230,676,451.45).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

11 Financial expenses

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		
Interest expenses from loans and bonds	34,671,095.53	29,459,635.10	17,218,644.81	17,781,854.67
Including: Interest expenses from loans	Note 1 31,766,878.18	26,701,544.25	17,218,644.81	17,781,854.67
Less: Borrowing costs capitalised	Note 2 2,904,217.35	2,758,090.85	—	—
Net interest expenses	31,766,878.18	26,701,544.25	17,218,644.81	17,781,854.67
Less: Interest income	10,756,159.67	8,013,716.42	9,338,514.41	15,755,652.11
Net exchange gains	(1,698,980.86)	(661,443.53)	(1,854,076.75)	(635,889.06)
Amortisation of unrecognised financial charges	8,129,547.23	2,911,909.82	—	—
Others	4,419,895.77	3,902,431.24	178,042.09	500,256.57
Total	31,861,180.65	24,840,725.36	6,204,095.74	1,890,570.07

Note 1: Interest expenses related to bank loans of the Group for current period due within 5 years were RMB 16,017,263.21 (corresponding period in 2017: RMB 10,974,953.74). Interest expenses related to other borrowings were RMB 15,749,614.97 (corresponding period in 2017: RMB 15,726,590.51).

Interest expenses related to loans of the Company for current period due within 5 years were RMB 1,469,029.84 (corresponding period in 2017: RMB 2,055,264.16). Interest expenses related to other borrowings were RMB 15,749,614.97 (corresponding period in 2017: RMB 15,726,590.51).

Note 2: Capitalised interest expenses of the Group for current period were RMB 2,904,217.35 (corresponding period in 2017: RMB 2,758,090.85).

There was no capitalised interest expense of the Company for current period (corresponding period in 2017: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Impairment losses

	Note V	The Group	
		For the six months ended 30 June	
		2018	2017
		RMB	RMB
			(Restated)
Fixed assets	3	665,909.49	2,561,614.82
Other non-current assets		2,383,522.75	—
Total		3,049,432.24	2,561,614.82

13 (Reversal)/accrual of credit losses

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Accounts receivable	(32,318,700.98)	10,226,226.55	(16,869,658.65)	5,150,560.66
Other receivables	(15,646,955.75)	3,129,804.73	(5,181,120.81)	(940,612.67)
Total	(47,965,656.73)	13,356,031.28	(22,050,779.46)	4,209,947.99

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

14 Government grants

The Group

Other income

		For the six months ended 30 June	
		2018	2017
		RMB	RMB
			(Restated)
Government grants related to assets	Note (1)	21,566,599.85	25,950,402.27
Government grants related to income	Note (2)	84,274,743.62	14,037,218.07
Total		<u>105,841,343.47</u>	<u>39,987,620.34</u>

Non-operating income

		For the six months ended 30 June	
		2018	2017
		RMB	RMB
			(Restated)
Government grants related to income		<u>1,394,597.83</u>	<u>3,925,374.53</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

14 Government grants (continued)

(1) Government grants related to assets

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

Items	Balance of	Additions during	Recognition as	Deductions	Balance of deferred
	deferred income			resulting from	
	at the beginning	the period	other income	consolidation	end of the period
	of the period			scope change	
	RMB	RMB	RMB	RMB	RMB
	(Restated)				
				Note IV.4	
Subsidies for vehicles replacement	9,114,304.74	1,451,173.98	1,107,515.66	—	9,457,963.06
Subsidies for station renovation	85,799,099.98	1,700,000.00	3,568,551.13	1,883,333.45	82,047,215.40
Tax subsidies for vehicle purchases	13,714,643.27	—	239,671.77	—	13,474,971.50
Subsidies of procurement					
of new energy vehicles	142,418,510.41	—	16,519,112.99	—	125,899,397.42
Other subsidies related to assets	5,034,073.48	376,750.00	131,748.30	705,555.75	4,573,519.43
Total	256,080,631.88	3,527,923.98	21,566,599.85	2,588,889.20	235,453,066.81

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

14 Government grants (continued)

(2) Government grants related to income

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

Impact on income statement items

(a) Offsetting against operation costs:

Items	For the six months ended 30 June	
	2018 RMB	2017 RMB
Fuel subsidies	46,909,583.69	46,555,771.33

(b) Recognising as other income:

Items	For the six months ended 30 June	
	2018 RMB	2017 RMB (Restated)
Subsidies for operation of bus lines	22,197,416.29	11,433,112.20
Subsidies for operation of new energy vehicles	57,779,488.72	—
Subsidies of elderly concessionary travel card	3,296,638.59	2,604,105.87
Other subsidies	1,001,200.02	—
Total	84,274,743.62	14,037,218.07

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

14 Government grants (continued)

(2) Government grants related to income (Continued)

Impact on income statement items (Continued)

(c) Recognising as non-operating income:

Items	For the six months ended 30 June	
	2018 RMB	2017 RMB (Restated)
Subsidies for vehicle disposals	1,102,283.20	2,386,941.92
Other subsidies	292,314.63	1,538,432.61
Total	1,394,597.83	3,925,374.53

15 Investment income

	The Group For the six months ended 30 June		The Company For the six months ended 30 June	
	2018 RMB	2017 RMB (Restated)	2018 RMB	2017 RMB
Income from investments using equity method	22,616,451.30	25,330,778.79	13,096,117.02	19,265,644.92
Others	(222,672.56)	(229,690.69)	—	—
Total	22,393,778.74	25,101,088.10	13,096,117.02	19,265,644.92

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

16 Gains from asset disposals

	The Group	
	For the six months ended 30 June	
	2018 RMB	2017 RMB (Restated)
Gains on disposals of fixed assets	262,810.93	115,962.56
Losses on disposals of other non-current assets	—	(2,040.00)
Total	<u>262,810.93</u>	<u>113,922.56</u>

17 Non-operating income

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2018 RMB	2017 RMB (Restated)	2018 RMB	2017 RMB
Gains on disposals of non-current assets	384,519.47	358,271.69	—	—
Government grants	1,394,597.83	3,925,374.53	—	—
Others	2,519,489.37	4,085,745.23	0.84	470.09
Total	<u>4,298,606.67</u>	<u>8,369,391.45</u>	<u>0.84</u>	<u>470.09</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

18 Income tax expenses

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Current tax expenses for the period based on tax law and regulations	73,369,346.71	102,684,684.57	16,195,273.45	18,934,162.46
Changes in deferred tax	12,281,249.05	(1,260,837.54)	9,846,543.15	857,906.18
Adjustment of tax filing differences	(604,197.20)	(601,151.02)	474,857.95	391,709.13
Total	<u>85,046,398.56</u>	<u>100,822,696.01</u>	<u>26,516,674.55</u>	<u>20,183,777.77</u>

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

19 Profit before income tax

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

	The Group		The Company	
	For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Depreciation of fixed assets	265,327,857.63	232,756,183.36	563,860.49	430,514.95
Depreciation of investment properties	1,345,847.58	2,324,254.70	—	—
Amortisation of intangible assets	31,896,182.33	30,894,811.73	9,503,120.88	8,625,273.37
Amortisation of long-term deferred expenses	11,742,859.58	7,791,565.61	1,176,585.56	1,116,779.47
Impairment losses	3,049,432.24	2,561,614.82	—	—
(Reversal)/accrual of credit losses	(47,965,656.73)	13,356,031.28	(22,050,779.46)	4,209,947.99
Rental expenses	117,696,305.06	99,583,573.10	4,296,771.00	117,937.97

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 Earnings per share

(a) Basic earnings per share

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

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
		(Restated)
Net profit attributable to shareholders of the Company	208,656,715.28	227,311,394.95
Weighted average number of ordinary shares in issue during the period	799,847,800.00	799,847,800.00
Basic earnings per share (RMB/share)	0.26	0.28

(b) Diluted earnings per share

The amounts of diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares in existence for the six months ended 30 June 2018 and 2017.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement

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

	The Group	
	For the six months ended 30 June	
	2018	2017
	RMB	RMB
		(Restated)
Net profit	236,023,793.55	271,403,418.32
Add: (Reversal)/losses for assets impairment and credit losses	(44,916,224.49)	15,917,646.10
Depreciation of fixed assets	265,327,857.63	232,756,183.36
Depreciation of investment properties	1,345,847.58	2,324,254.70
Amortisation of intangible assets	31,896,182.33	30,894,811.73
Amortisation of long-term deferred expenses	11,742,859.58	7,791,565.61
Losses on disposal of fixed assets, intangible assets, and other long-term assets	2,363,012.48	1,048,540.77
Financial expenses	41,101,661.90	31,710,101.39
Investment income	(22,393,778.74)	(25,101,088.10)
Decrease in deferred tax assets	13,735,515.26	548,905.52
Increase/(decrease) in deferred tax liabilities	3,167,423.10	(128,759.63)
Increase in gross inventories	(71,889,754.92)	(153,505,199.01)
Increase in operating receivables	(63,719,046.39)	(432,055,312.93)
Decrease in operating payables	(469,551,342.88)	(95,950,245.71)
Decrease in special reserve	(583,694.98)	(3,002,065.85)
Changes in restricted cash	(10,120,875.58)	(636,594.95)
(Increase)/decrease in long-term receivables	(1,118,499.42)	3,216,707.56
(Decrease)/increase in long-term payables	(11,695,229.78)	1,533,552.63
Net cash outflow from operating activities	<u>(89,284,293.77)</u>	<u>(111,233,578.49)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(Continued)*

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

	The Company	
	For the six months ended 30 June	
	2018	2017
	RMB	RMB
		(Restated)
Net profit	90,475,985.89	77,835,013.59
Add: (Reversal)/accrual of credit losses	(22,050,779.46)	4,209,947.99
Depreciation of fixed assets	563,860.49	430,514.95
Amortisation of intangible assets	9,503,120.88	8,625,273.37
Amortisation of long-term deferred expenses	1,176,585.56	1,116,779.47
Financial expenses	9,274,768.02	6,259,585.81
Investment income	(13,096,117.02)	(19,265,644.92)
Decrease in deferred tax assets	9,846,543.15	857,906.18
Increase in gross inventories	(29,672,683.55)	(34,777,733.40)
Changes in special reserve	17,739.42	56,154.33
Decrease/(increase) in operating receivables	307,174,359.01	(238,570,250.75)
(Decrease)/increase in operating payables	(542,061,658.91)	31,698,036.94
Net cash outflow from operating activities	<u>(178,848,276.52)</u>	<u>(161,524,416.44)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(Continued)*

(2) Change in cash and cash equivalents:

	The Group	
	For the six months ended 30 June	
	2018	2017
	RMB	RMB
		(Restated)
Cash and cash equivalents at the end of the period (Note)	1,240,336,738.37	1,398,110,925.99
Less: Cash and cash equivalents at the beginning of the period (Note)	1,857,779,421.60	1,657,882,570.63
Net decrease in cash and cash equivalents	<u>(617,442,683.23)</u>	<u>(259,771,644.64)</u>

Note: As at 30 June 2018, the balance of cash included deposits for bank acceptance bills, letter of guarantee and performance bonds, bidding deposits and housing repairment fund in an aggregate amount of RMB 28,695,582.48 (31 December 2017: RMB 18,574,706.90), which were deducted from the balance of cash and cash equivalents.

	The Company	
	For the six months ended 30 June	
	2018	2017
	RMB	RMB
Cash and cash equivalents at the end of the period	706,866,726.79	738,522,960.46
Less: Cash and cash equivalents at the beginning of the period	929,531,026.45	1,109,152,535.46
Net decrease in cash and cash equivalents	<u>(222,664,299.66)</u>	<u>(370,629,575.00)</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(continued)*

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

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

The cash pool accounts centrally managed and daily allocated or collected changes with reference to the account balance of the Group and the Company. Due to the frequent transactions, the Group and the Company only disclose the net cash outflow of the cash centrally managed during the period.

22 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, material logistics and other business. 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. In corresponding period of 2017, the operations of the Group were classified into three segments, including travel services, material logistics and resources development. For the convenience of comparison, the comparative information of segment reporting has been restated in accordance with the classification of current period.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

22 Segment reporting (continued)

(1) Segment reporting

	Travel services RMB	Material logistics RMB	Other business RMB	Inter-segment elimination RMB	Total RMB
For the six months ended					
30 June 2018					
Operating income					
External income	2,600,572,498.29	579,920,313.39	2,983,769.25	—	3,183,476,580.93
Inter-segment income	—	—	3,940,106.01	(3,940,106.01)	—
Total segment operating income	2,600,572,498.29	579,920,313.39	6,923,875.26	(3,940,106.01)	3,183,476,580.93
Total segment operating costs	2,087,455,109.56	534,533,399.22	3,217,736.93	(42,295.28)	2,625,163,950.43
Segment operating profit	<u>247,778,349.83</u>	<u>74,380,267.97</u>	<u>521,063.36</u>	<u>(310,565.81)</u>	<u>322,369,115.35</u>
For the six months ended					
30 June 2017 (Restated)					
Operating income					
External income	2,454,180,170.89	934,179,040.69	2,195,377.88	—	3,390,554,589.46
Inter-segment income	53,298.11	—	7,228,866.31	(7,282,164.42)	—
Total segment operating income	2,454,233,469.00	934,179,040.69	9,424,244.19	(7,282,164.42)	3,390,554,589.46
Total segment operating costs	1,809,754,607.98	836,421,996.00	5,276,738.55	(2,692,517.90)	2,648,760,824.63
Segment operating profit	<u>300,336,505.84</u>	<u>66,301,129.39</u>	<u>743,727.30</u>	<u>(406,419.81)</u>	<u>366,974,942.72</u>
As at 30 June 2018					
Total segment assets	<u>10,580,383,243.99</u>	<u>52,294,046.53</u>	<u>40,966,930.98</u>	<u>(2,696,309,228.29)</u>	<u>7,977,334,993.21</u>
Total segment liabilities	<u>5,904,354,244.12</u>	<u>39,125,625.36</u>	<u>54,502,023.40</u>	<u>(1,532,660,039.42)</u>	<u>4,465,321,853.46</u>
As at 31 December 2017					
(Restated)					
Total segment assets	<u>9,938,794,750.34</u>	<u>2,308,397,745.71</u>	<u>39,435,337.21</u>	<u>(3,103,001,298.69)</u>	<u>9,183,626,534.57</u>
Total segment liabilities	<u>5,166,254,743.40</u>	<u>2,172,758,025.26</u>	<u>53,517,598.35</u>	<u>(1,887,143,401.05)</u>	<u>5,505,386,965.96</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Segment reporting *(continued)*

(2) Geographic information

The Group's operating income comes from mainland China and Hong Kong, among which, the income comes from Hong Kong amounted to RMB 128,741,583.16 in the current period (corresponding period in 2017: RMB 122,397,338.29). As at 30 June 2018, the Group's non-current assets held by the Hong Kong operations amounted to RMB 196,373,743.12 (31 December 2017: RMB 186,827,766.71).

(3) Major customers

No operating income from one single customer of the Group was above 10% of the Group's total operating income for the current period and the corresponding period of 2017.

23 Net current assets

	The Group		The Company	
	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Current assets	2,707,685,981.20	3,751,259,482.51	1,656,659,440.02	2,131,528,515.39
Less: Current liabilities	2,083,192,344.74	3,274,756,732.18	951,539,860.57	1,414,144,263.94
Net current assets	624,493,636.46	476,502,750.33	705,119,579.45	717,384,251.45

24 Total assets less current liabilities

	The Group		The Company	
	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)	As at 30 June 2018 RMB	As at 31 December 2017 RMB (Restated)
Total assets	7,977,334,993.21	9,183,626,534.57	3,106,162,936.37	3,641,137,320.12
Less: Current liabilities	2,083,192,344.74	3,274,756,732.18	951,539,860.57	1,414,144,263.94
Total assets less current liabilities	5,894,142,648.47	5,908,869,802.39	2,154,623,075.80	2,226,993,056.18

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Related parties where a controlling relationship exists:

The Group's ultimate holding company is GCGC.

2 Information of subsidiaries

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

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

	Related party relationships
GCGC	The ultimate holding company
Southern United Assets and Equity Exchange Co., Ltd.	Associate of the Group
Guangdong Zhongyuetong Oil Trading Company Limited	Associate of the Group
Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd.	Joint venture of the Group
Guangdong Province Bus Terminal Co., Ltd.	Joint venture of the Group
Guandong Zhongyou Top-E Energy Trading Company Limited	Joint venture of the Group
Guangdong Yuehuahui Business Management Co., Ltd.	Joint venture of the Group
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	Joint venture of the Group
Shenzhen Yueyun Investment Development Company Limited ("Shenzhen Yueyun")	Associate of the Group

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Express Cross-Border Coach Management Company Limited	Associate of the Group
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	Associate of the Group
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	Associate of the Group
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Associate of the Group
Guangzhou Tianhe Coach Terminal Co., Ltd.	Associate of the Group
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	Associate of the Group
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	Associate of the Group
Shantou City Automobile Passenger Traffic Center Co., Ltd.	Associate of the Group
Jiangmen Guangjiang Expressway Passenger Co., Ltd.	Associate of the Group
Qingyuan Zhongguan Development Co., Ltd.	Associate of the Group
Lufeng Shenshan Expressway Company Limited	Associate of the Group
Guangdong Wangshangfei Logistics Technology Co., Ltd.	Associate of the Group
Shaoguan Libao Technology Co., Ltd.	Associate of the Group
CNPC Yueyun Natural Gas Co., Ltd.	Associate of the Group
Guangdong Humen Bridge Company Limited [#]	Joint venture of the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Guangdong Gaintop Highway Engineering Construction Group Company Limited	Associate of the ultimate holding company
Hui-Shen (Yantian) Expressway Huizhou Company Limited	Joint venture of the ultimate holding company
Zhaoqing Yuezhao Expressway Company Limited	Joint venture of the ultimate holding company
Guangdong Guangzhu Expressway West Section Company Limited [#]	Joint venture of the ultimate holding company
Foshan Guang-San Expressway Company Limited	Associate of the ultimate holding company
Guangdong Feida Traffic Engineering Company Limited	Associate of the ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Associate of the ultimate holding company
Jiangmen City Jiang-He Expressway Company Limited	Associate of the ultimate holding company
Guangdong Shenzhen-Shantou (Eastern Section) Expressway Company Limited	Associate of the ultimate holding company
Shenzhen Huiyan Expressway Company Limited	Associate of the ultimate holding company
Guangdong Communications and Telecommunications Co., Ltd.	Associate of the ultimate holding company
Guangdong Provincial Highway Construction Company Limited [#]	Controlled by the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Guangdong Province Road & Bridge Construction Development Company Limited [#]	Controlled by the ultimate holding company
Guangdong Oriental Thought Technology Company Limited	Controlled by the ultimate holding company
Guangdong Xinyue Communications Investment Company Limited [#]	Controlled by the ultimate holding company
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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Guangdong Provincial Freeway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Provincial Changda Highway Engineering Company Limited [#]	Controlled by the ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited [#]	Controlled by the ultimate holding company
Guangdong Yang-Mao Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Yu-Zhan Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Yue Dong Freeway Industry Development Company Limited [#]	Controlled by the ultimate holding company
Guangdong Yue-Gan Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Yun-Wu Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Zhaoyang Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangfo Expressway Company Limited [#]	Controlled by the ultimate holding company
Guang-Shen-Zhu Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangzhou Newsoft Technology Company Limited	Controlled by the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
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 ("Weisheng Transportation") [#]	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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Guangdong High Science and Technology Investment Company Limited	Controlled by the ultimate holding company
Guangdong Guanghui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Lulutong Company Limited	Controlled by the ultimate holding company
Guangdong Luo-Yang Expressway Company Limited [#]	Controlled by the ultimate holding company
Guangdong Provincial Fokai Expressway Company Limited [#]	Controlled by the ultimate holding company
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 Hong Kong Company Limited	Controlled by the ultimate holding company
Zhaoqing City Guang-He Expressway Company Limited [#]	Controlled by the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Guangdong Ninghua Expressway Company Limited [#]	Controlled by the ultimate holding company
Dongguan Weisheng International Logistics Company Limited [#]	Controlled by the ultimate holding company
Guangdong Communication Enterprise Investment Company Limited [#]	Controlled by the ultimate holding company
Weisheng Bus Company Limited	Controlled by the ultimate holding company
Guangdong Guangfozhao Expressway Company Limited [#]	Controlled by the ultimate holding company
GCG Finance [#]	Controlled by the ultimate holding company
Guangdong Chaoshan Circle Line Expressway Company Limited	Controlled by the ultimate holding company
Chaozhou City Yueyun Motor Transportation Co., Ltd. [#]	Controlled by the ultimate holding company
Guangdong Hui-qing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Nan Yue Logistics International Services Company Limited	Controlled by the ultimate holding company
Guangdong Province Expressway Construction Materials Supply Station	Controlled by the ultimate holding company
Guangdong Road and Bridge Electronics Company Limited	Controlled by the ultimate holding company
Guangdong Kee Kwan Transportation Company Limited	Controlled by the ultimate holding company
Guangdong Province Western Coastal Expressway Yangjiang Company Limited [#]	Controlled by the ultimate holding company

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

	Related party relationships
Guangdong Highway Machinery Materials Co., Ltd.	Controlled by the ultimate holding company
Guangdong Traffic Group Inspection Center [#]	Controlled by the ultimate holding company
Guangdong Luda Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Zhan-xu Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Shen-Fo Expressway Co., Ltd.	Controlled by the ultimate holding company
Guangdong Shan-Mei Expressway Co., Ltd. [#]	Controlled by the ultimate holding company
Guangdong Xin-Tai Expressway Co., Ltd. [#]	Controlled by the ultimate holding company
Guangdong Litong Science and Technology Investment Co., Ltd. [#]	Controlled by the ultimate holding company
Guangdong Nanyue Traffic Longhua Expressway Management Center [#]	Controlled by the ultimate holding company
Guangdong South China Logistics Enterprise Company Limited [#]	As subsidiary of the Company before 31 March 2018, and as entity controlled by the ultimate holding company since 31 March 2018
Guangdong Yueyun Jia Fu Industrial Co., Ltd.	As subsidiary of the Company before 31 March 2018, and as entity controlled by the ultimate holding company since 31 March 2018

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

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

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

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
(1) Material logistics service income		
Guangdong Provincial Changda Highway Engineering Company Limited	22,839,004.47	101,013,578.48
Guangdong South China Logistics Enterprise Company Limited	13,104,732.52	—
Guangzhou Xin Yue Asphalt Company Limited	2,912,123.82	4,916,973.05
Others	225,651.08	530,004.50
Total	39,081,511.89	106,460,556.03

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.

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
(2) Cross-border transportation services income		
Express Cross-Border Coach Management Company Limited	5,441,699.63	13,551,121.08
(3) Repairing income		
Others	366,563.63	346,872.33
(4) Rendering of other services income		
Others	1,729,651.61	529,672.84

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

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

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

	For the six months ended 30 June	
	2018 RMB	2017 RMB
(5) Road rescue service income		
Guangdong Province Road & Bridge Construction Development Company Limited	4,122,042.45	4,122,042.48
Guangdong Provincial Freeway Company Limited	2,939,603.77	3,014,257.85
Guangdong Guangle Expressway Company Limited	2,101,415.09	2,101,415.10
Guangdong Chao-Hui Expressway Company Limited	1,745,518.87	1,745,497.68
Guangdong Provincial Highway Construction Company Limited	1,622,264.15	979,245.24
Guangdong Er-Guang Expressway Company Limited	1,358,490.57	1,358,490.54
Guangdong Guangfozhao Expressway Company Limited	1,237,393.87	1,237,393.86
Guangdong Yun-Wu Expressway Company Limited	1,158,962.26	1,158,962.28
Guangdong Bo-Da Expressway Company Limited	1,054,323.11	1,072,132.92
Guangdong Western Shen-Shan Expressway Company Limited	1,036,917.45	1,036,917.45
Guangdong Meihe Expressway Company Limited	1,020,778.30	1,020,778.32
Others	10,402,925.77	9,661,987.41
Total	29,800,635.66	28,509,121.13
(6) Rental income		
Guangdong Chao-Hui Expressway Company Limited	1,140,554.00	—
Others	3,268,622.79	909,825.06
Total	4,409,176.79	909,825.06
(7) Sales of goods		
Chaozhou City Yueyun Motor Transportation Co., Ltd.	2,736,880.34	—

The above transactions under categories (2) - (7) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

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

	For the six months ended 30 June	
	2018 RMB	2017 RMB
(8) Purchases of materials		
Xinyue Company Limited	46,919,368.67	71,865,450.75
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	26,108,938.87	25,811,634.92
Guangdong South China Logistics Enterprise Company Limited	882,905.34	—
Guangzhou Xin Yue Asphalt Company Limited	11,456.22	40,310,910.94
Total	73,922,669.10	137,987,996.61

The above purchases of materials transactions have been conducted in accordance with the service contracts between the relevant companies within the Group and the above related parties, based on the Material Purchase Master Agreement signed between the Company and GCGC on 27 September 2005. Transaction price was negotiated between both parties.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

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

	For the six months ended 30 June	
	2018 RMB	2017 RMB
(9) Expressway service zones operation expenses		
Guang-Shen-Zhu Expressway Company Limited	9,060,036.38	7,350,709.93
Guangdong Guangzhu Expressway West Section Company Limited	6,283,329.09	6,583,519.36
Guangdong Provincial Highway Construction Company Limited	4,676,479.21	1,610,422.62
Guangdong Guangle Expressway Company Limited	4,218,943.57	4,455,515.22
Guangdong Yue-Gan Expressway Company Limited	4,043,822.78	4,042,869.59
Guangdong Province Road & Bridge Construction Development Company Limited	3,901,094.59	3,945,156.55
Guangdong Provincial Freeway Company Limited	3,489,324.78	6,817,844.04
Guangdong Guangfozhao Expressway Company Limited	3,366,088.84	3,454,789.80
Guangdong KaiYang Expressway Company Limited	2,908,119.74	2,935,454.61
Guangdong Chao-Hui Expressway Company Limited	2,457,634.20	2,525,823.50
Guangdong Yun-Wu Expressway Company Limited	1,995,464.91	2,095,238.16
Guangdong Meihe Expressway Company Limited	1,752,764.65	1,826,561.37
Guangdong Yang-Mao Expressway Company Limited	1,731,157.16	2,052,833.43
Guangdong Bo-Da Expressway Company Limited	1,620,307.69	1,708,794.77
Guangdong Maozhan Expressway Company Limited	1,466,571.34	1,355,233.40
Guangfo Expressway Company Limited	1,273,088.53	1,233,613.24
Guangdong Provincial Fokai Expressway Company Limited	1,185,030.36	1,195,835.58

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

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

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

	For the six months ended 30 June	
	2018 RMB	2017 RMB
(9) Expressway service zones operation expenses (Continued)		
Guangdong Yu-Zhan Expressway Company Limited	1,149,469.17	1,174,168.41
Guangdong Er-Guang Expressway Company Limited	1,117,899.84	1,173,794.83
Jingzhu Expressway Guangzhu Section Company Limited	1,081,201.89	899,800.00
Guangdong Jiangzhong Expressway Company Limited	1,041,269.86	1,416,701.59
Guangdong Shanfen Expressway Company Limited	1,029,077.08	992,090.65
Guangdong Baomao Expressway Company Limited	1,016,787.96	1,047,813.61
Guangdong Zhaoyang Expressway Company Limited	1,013,170.99	1,060,778.25
Others	7,772,051.07	6,623,944.46
Total	70,650,185.68	69,579,306.97

The above expressway service zones operation transactions have been conducted in accordance with the service contracts between the relevant companies within the Group and the above related parties, based on the Priority Right of Operation Agreement signed between the Company and GCGC on 15 September 2005. Transaction price was negotiated between both parties.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

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

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

	For the six months ended 30 June	
	2018 RMB	2017 RMB
(10) Rental expenses		
Guangdong Litong Properties Investment Company Limited	2,934,353.00	—
Yueyun Investment Management	26,934.00	3,075,383.70
Others	366,401.99	404,646.24
Total	3,327,688.99	3,480,029.94
(11) Repair and maintenance charges		
Guangdong Humen Bridge Company Limited	2,993,459.13	330,000.00
Others	1,655,382.02	1,295,972.02
Total	4,648,841.15	1,625,972.02
(12) Receipt of services		
Dongguan Weisheng International Logistics Co., Ltd.	986,528.81	752,755.84
Guangdong Provincial Changda Highway Engineering Company Limited	—	2,630,018.02
Guangdong Humen Bridge Company Limited	—	2,350,000.00
Others	327,814.28	31,965.28
Total	1,314,343.09	5,764,739.14

The above transactions under categories (10) - (12) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(b) Borrowings from related parties

Related parties	Annual interest rate	Opening	Additions	Carveout	Repayments	Ending	Period
		Balance as at 1 January 2018	during the period	during the period	during the period	balance as at 30 June 2018	
		RMB	RMB	RMB	RMB	RMB	
		(Restated)					
GCG Finance	4% ~ 4.465%	511,500,000.00	68,000,000.00	(48,000,000.00)	(10,500,000.00)	521,000,000.00	30/10/2015 - 29/06/2018 - 24/07/2018 - 27/05/2028

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

(c) Cash pool transaction

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

(d) GCG Finance deposit transaction

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(e) Interest income and interest expenses

	For the six months ended 30 June	
	2018 RMB	2017 RMB
Interest income		
GCG Finance	3,695,242.35	1,433,901.32
Interest expenses		
GCG Finance	6,115,244.97	2,788,334.46
GVTG cash pool	379,227.33	30,628.12
Total	6,494,472.30	2,818,962.58

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

(f) Freight transportation service outsourcing

	For the six months ended 30 June	
	2018 RMB	2017 RMB
Transactions with Weisheng Transportation		
Freight transportation outsourcing income	2,602,617.90	3,781,650.19
Freight transportation outsourcing disbursements	4,419,518.60	5,456,333.83
Total	7,022,136.50	9,237,984.02

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(g) Passenger transportation service outsourcing

	For the six months ended 30 June	
	2018 RMB	2017 RMB
Transactions with Weisheng Transportation		
Passenger transportation outsourcing cost	1,259,250.00	2,429,316.58
Passenger transportation outsourcing disbursements	4,611,410.19	2,797,715.06
Total	5,870,660.19	5,227,031.64

(h) Entrusted management

	For the six months ended 30 June	
	2018 RMB	2017 RMB
Management fee income		
Yueyun Investment Management	2,857,646.58	3,614,150.94

(i) Trademark and route operation licenses

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

(j) Road and bridge tolls

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(k) Property management services

	For the six months ended 30 June	
	2018 RMB	2017 RMB
Yueyun Investment Management	—	3,475,465.11

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.

(l) Guarantees

As in Note V.9, 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(m) Amounts due to/from related parties

Caption	Related parties	As at	As at
		30 June 2018	31 December 2017
		RMB	RMB
Cash at bank and on hand	GCG Finance	549,425,930.63	481,695,810.07
Accounts receivable	Guangdong South China Logistics Enterprise Company Limited	55,302,486.25	—
	Guangdong Humen Bridge Company Limited	20,726,288.54	7,281,680.61
	Yueyun Investment Management Zhaoqing City Guang-He Expressway Company Limited	5,232,628.08	2,554,000.00
	Guangdong Provincial Freeway Company Limited	3,117,270.15	3,117,270.15
	Guangdong Guangle Expressway Company Limited	2,862,546.64	3,845,764.37
	Guangdong Province Road & Bridge Construction Development Company Limited	2,709,064.81	7,086,169.57
	Chaozhou City Yueyun Motor Transportation Co., Ltd.	2,359,059.65	677,100.00
	Guangdong Meihe Expressway Company Limited	1,998,003.96	—
	Guangdong Provincial Highway Construction Company Limited	1,658,723.97	1,654,554.09
	Guangdong Yun-Wu Expressway Company Limited	902,537.25	53,101,332.86
	Guangdong Xinyue Communications Investment Company Limited	423,607.74	25,767,878.40
	Others	23,925.01	49,727,476.62
		7,709,950.69	32,048,746.04
	Total	105,026,092.74	186,861,972.71

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

Caption	Related parties	As at	As at
		30 June 2018	31 December 2017
		RMB	RMB
Accounts payable	Guangdong South China Logistics Enterprise Company Limited	31,304,545.07	—
	Guangdong Provincial Freeway Company Limited	18,947,312.13	16,124,758.37
	Guang-Shen-Zhu Expressway Company Limited	6,727,686.13	7,204,202.98
	Guangdong Shanfen Expressway Company Limited	5,657,971.05	4,748,864.65
	Guangdong Yue Dong Freeway Industry Development Company Limited	4,595,542.54	4,324,955.65
	Guangdong Yue-Gan Expressway Company Limited	4,533,405.81	287,391.89
	Guangdong Guangye Yueyun Natural Gas Co., Ltd.	3,683,356.56	434,914.67
	Guangdong Kai Yang Expressway Company Limited	3,631,054.58	1,084,765.91
	Guangdong Provincial Fokai Expressway Company Limited	2,895,966.98	1,651,685.10
	Guangdong Yun-Wu Expressway Company Limited	2,095,238.11	—
	Guangdong Maozhan Expressway Company Limited	1,649,174.09	358,465.86
	Guangdong Provincial Highway Construction Company Limited	1,511,274.59	379,649.51
	Guangfo Expressway Company Limited	1,551,173.94	1,316,266.81
	Guangdong Provincial Changda Highway Engineering Company Limited (Note)	1,427,597.24	12,563,156.74
	Guangdong Er-Guang Expressway Company Limited	1,367,319.30	193,524.47

Note: According to the Material Supply Management Agreement between the Company and Guangdong Provincial Changda Highway Engineering Company Limited ("Guangdong Changda") on 29 May 2018, the Company shall pay Guangdong Changda the management fees for the provision of management services for supply of major materials in respect of Project Yunwu. The Company recognised the management service fees in the corresponding year, and adjusted the balance payable to Guangdong Changda in corresponding period.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

Caption	Related parties	As at 30 June 2018 RMB	As at 31 December 2017 RMB
Accounts payable (Continued)	Guangdong Ping-Xing Expressway Company Limited	1,363,692.43	571,865.58
	Guangdong HuaLu Transport Technology Company Limited	1,300,384.00	928,927.00
	Guangdong Yu-Zhan Expressway Company Limited	1,209,397.11	34,628.11
	Jingzhu Expressway Guangzhu Section Company Limited	1,135,261.98	1,799,600.00
	Guangdong Humen Bridge Company Limited	1,110,501.18	613,679.53
	Guangdong Zhaoyang Expressway Company Limited	1,063,314.81	16,483.38
	Zhaoqing Yuezhao Expressway Company Limited	658,159.78	1,219,099.89
	Guangzhou Xin Yue Asphalt Company Limited	—	10,287,715.26
	Guangdong Xinyue Communications Investment Company Limited	—	8,842,102.71
	Dongguan Weisheng International Logistics Company Limited	—	4,569,468.49
	Others	10,185,949.84	6,310,649.74
	Total	109,605,279.25	85,866,822.30

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

Caption	Related parties	As at	As at
		30 June 2018	31 December 2017
		RMB	RMB
Prepayments	Guangdong Guangzhu Expressway West Section Company Limited	6,112,265.19	1,588,516.22
	Guangdong Guangfozhao Expressway Company Limited	5,421,181.02	3,773,579.98
	Guangdong Province Road & Bridge Construction Development Company Limited	5,096,327.81	1,735,165.25
	Guangdong Guangle Expressway Company Limited	4,692,770.02	274,643.81
	Guangdong Provincial Highway Construction Company Limited	3,253,661.27	269,108.02
	Guangdong Chao-Hui Expressway Company Limited	2,580,515.82	—
	Guangdong Ninghua Expressway Company Limited	1,770,414.12	821,422.84
	Guangdong Meihe Expressway Company Limited	1,737,057.16	335,342.86
	Guangdong Yang-Mao Expressway Company Limited	1,664,238.12	—
	Guangdong Bo-Da Expressway Company Limited	1,573,251.94	578,615.65
	Guang-Shen-Zhu Expressway Company Limited	1,490,149.26	—
	Guangdong Jiangzhong Expressway Company Limited	1,165,578.80	—
	Others	3,589,485.54	2,551,289.81
	Total	40,146,896.07	11,927,684.44

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

Caption	Related parties	As at 30 June 2018 RMB	As at 31 December 2017 RMB
Advances from customers	Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	2,153,282.88
	Others	2,618,072.43	3,527,659.00
	Total	4,771,355.31	5,680,941.88
Other receivables	Weisheng Transportation Enterprises Company Limited	8,522,655.14	12,071,660.37
	Guangdong Chaoshan Circle Line Expressway Company Limited	8,003,895.41	8,003,895.41
	Guang-Shen-Zhu Expressway Company Limited	3,436,187.80	1,102,534.50
	Guangdong Guangzhu Expressway West Section Company Limited	1,518,300.00	1,508,300.00
	Guangdong Guangye Yueyun Natural Gas Co., Ltd.	1,409,782.53	1,659,782.53
	Guangdong Province Road & Bridge Construction Development Company Limited	1,173,682.52	1,166,250.00
	Guangdong Maozhan Expressway Company Limited	1,000,000.00	1,000,000.00
	Kee Kwan Motor Road Company Limited	5,500.00	11,650,167.33
	Guangdong Xinyue Communications Investment Company Limited	—	13,802,954.85
	Others	11,249,323.33	41,552,529.38
	Total	36,319,326.73	93,518,074.37

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(Expressed in Renminbi Yuan)

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

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

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

Caption	Related parties	As at	As at
		30 June 2018	31 December 2017
		RMB	RMB
Other payables	Yueyun Investment Management	13,489,454.48	44,489,454.48
	Guangdong Litong Properties Investment Company Limited	3,040,161.40	—
	Others	4,960,775.45	10,586,677.05
	Sub-total	21,490,391.33	55,076,131.53
Other payables – Cash pool	Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	2,629,932.41	3,464,260.33
	Guangdong Province Bus Terminal Co., Ltd.	1,053,453.63	1,051,723.49
	Others	1,990.50	1,990.50
	Sub-total	3,685,376.54	4,517,974.32
Total		25,175,767.87	59,594,105.85
Dividends payable	Guangdong Xinyue Communications Investment Company Limited	—	2,780,436.84
Other non-current assets	Guangdong Guangfozhao Expressway Company Limited	84,905,660.38	81,428,548.77
	Guangdong Guangzhu Expressway West Section Company Limited	79,187,150.48	86,792,452.83
	Guangzhou Tianhe Coach Terminal Co., Ltd.	9,600,000.00	9,600,000.00
	Total	173,692,810.86	177,821,001.60

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(Expressed in Renminbi Yuan)

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

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

(n) Compensation for key management personnel

	For the six months ended 30 June	
	2018	2017
	RMB	RMB
Compensation for key management personnel	3,012,566.00	3,915,688.09

VII. COMMITMENTS

	As at 30 June 2018	As at 31 December 2017
	RMB	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	252,420,938.99	207,161,739.67
Capital commitments that have been approved but have not been entered into contracts	37,525,000.00	61,730,000.00
Total	289,945,938.99	268,891,739.67

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(Expressed in Renminbi Yuan)

VIII. COMPARATIVE FIGURES

As described in Note II.32, the Group has changed certain accounting policies and made retrospective adjustments to comparative figures where required. Also, the Group adjusted the presentation of the financial statements according to Caikuai[2018] No.15. In addition, as described in Note IV.3, the Group incurred business combination under common control during the period and made retrospective adjustments to the comparative figures as required. The impact of the above adjustments on the comparative figures is shown as below:

	As at 31 December 2017 RMB (before adjustments)	Effect of business combination under common control RMB	Effect of new financial instruments standards RMB	Change of presentation of financial statements RMB	As at 31 December 2017 RMB (after adjustments)
Assets					
Current Assets					
Cash at bank and on hand	1,813,515,419.32	62,838,709.18	—	—	1,876,354,128.50
Bills receivable	36,505,607.26	—	—	(36,505,607.26)	—
Accounts receivable**	875,843,821.09	11,566,771.56	(49,430,122.66)	(837,980,469.99)	—
Bills and accounts receivable	—	—	—	874,486,077.25	874,486,077.25
Prepayments	321,485,159.10	9,474,219.23	—	—	330,959,378.33
Interest receivable	21,570.80	—	—	(21,570.80)	—
Dividends receivable	1,086,686.22	—	—	(1,086,686.22)	—
Other receivables**	410,259,407.94	12,169,858.48	(11,718,564.72)	1,108,257.02	411,818,958.72
Inventories	187,571,174.06	2,663,976.73	—	—	190,235,150.79
Non-current assets due within one year	31,206,054.27	668,141.08	—	—	31,874,195.35
Other current assets	34,134,646.72	1,396,946.85	—	—	35,531,593.57
Total current assets	<u>3,711,629,546.78</u>	<u>100,778,623.11</u>	<u>(61,148,687.38)</u>	<u>—</u>	<u>3,751,259,482.51</u>
Non-current assets					
Available-for-sale financial assets*	563,228.22	—	(563,228.22)	—	—
Investments in other equity instruments*	—	—	563,228.22	—	563,228.22
Long-term receivables	4,269,811.62	2,760,344.05	—	—	7,030,155.67
Long-term equity investments	332,013,785.00	—	—	—	332,013,785.00
Investment properties	180,291,731.04	—	—	—	180,291,731.04
Fixed assets	2,519,529,158.69	164,160,098.64	—	—	2,683,689,257.33
Construction in progress	285,606,258.89	31,156,736.53	—	—	316,762,995.42
Intangible assets	1,040,801,632.40	87,489,956.71	—	—	1,128,291,589.11
Goodwill	104,166,326.02	—	—	—	104,166,326.02
Long-term deferred expenses	43,696,395.00	8,474,296.55	—	—	52,170,691.55
Deferred tax assets**	183,989,679.59	16,028,745.36	15,482,725.25	—	215,501,150.20
Other non-current assets	407,516,296.41	4,369,846.09	—	—	411,886,142.50
Total non-current assets	<u>5,102,444,302.88</u>	<u>314,440,023.93</u>	<u>15,482,725.25</u>	<u>—</u>	<u>5,432,367,052.06</u>
Total assets	<u><u>8,814,073,849.66</u></u>	<u><u>415,218,647.04</u></u>	<u><u>(45,665,962.13)</u></u>	<u><u>—</u></u>	<u><u>9,183,626,534.57</u></u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VIII. COMPARATIVE FIGURES (Continued)

	As at 31 December 2017 RMB (before adjustments)	Effect of business combination under common control RMB	Effect of new financial instruments standards RMB	Change of presentation of financial statements RMB	As at 31 December 2017 RMB (after adjustments)
Liabilities					
Current liabilities					
Short-term loans	212,806,642.67	5,000,000.00	—	—	217,806,642.67
Bills payable	780,735,011.25	6,795,240.00	—	(787,530,251.25)	—
Accounts payable	798,474,945.77	45,480,477.84	—	(843,955,423.61)	—
Bills and accounts payable	—	—	—	1,631,485,674.86	1,631,485,674.86
Advances from customers	193,104,445.83	3,396,679.21	—	—	196,501,125.04
Employee benefits payable	178,455,363.29	9,708,158.62	—	—	188,163,521.91
Taxes payable	170,184,925.85	4,739,571.19	—	—	174,924,497.04
Interest payable	5,381,992.32	98,588.73	—	(5,480,581.05)	—
Dividends payable	38,053,466.15	—	—	(38,053,466.15)	—
Other payables	590,839,790.22	62,438,133.40	—	43,534,047.20	696,811,970.82
Non-current liabilities due within one year	151,288,761.02	7,057,661.52	—	—	158,346,422.54
Total current liabilities	3,119,325,344.37	144,714,510.51	—	—	3,264,039,854.88
Non-current liabilities					
Long-term loans	500,075,133.02	58,000,000.00	—	—	558,075,133.02
Bonds payable	775,310,816.19	—	—	—	775,310,816.19
Long-term payables	154,168,357.56	11,000,000.00	—	—	165,168,357.56
Long-term employee benefits payable	150,336,775.00	30,933,969.39	—	—	181,270,744.39
Provisions	1,646,679.43	—	—	—	1,646,679.43
Deferred income	491,347,636.42	29,363,635.52	—	—	520,711,271.94
Deferred tax liabilities	28,447,231.25	—	—	—	28,447,231.25
Total non-current liabilities	2,101,332,628.87	129,297,604.91	—	—	2,230,630,233.78
Total liabilities	5,220,657,973.24	274,012,115.42	—	—	5,494,670,088.66
Shareholders' equity					
Share capital	799,847,800.00	—	—	—	799,847,800.00
Capital reserve	125,022,074.47	90,491,800.53	—	—	215,513,875.00
Other comprehensive income	(34,414,839.74)	—	—	—	(34,414,839.74)
Special reserve	33,262,879.58	939,735.79	—	—	34,202,615.37
Surplus reserve	177,615,970.29	9,052,464.30	—	—	186,668,434.59
Retained earnings**	1,290,311,300.48	38,272,260.69	(42,632,757.66)	—	1,285,950,803.51
Equity attributable to shareholders of the Company	2,391,645,185.08	138,756,261.31	(42,632,757.66)	—	2,487,768,688.73
Non-controlling interests	1,201,770,691.34	2,450,270.31	(3,033,204.47)	—	1,201,187,757.18
Total shareholders' equity	3,593,415,876.42	141,206,531.62	(45,665,962.13)	—	3,688,956,445.91
Total liabilities and shareholders' equity	8,814,073,849.66	415,218,647.04	(45,665,962.13)	—	9,183,626,534.57

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(Expressed in Renminbi Yuan)

VIII. COMPARATIVE FIGURES (Continued)

* The effect of reclassification under new financial instruments standards, which represents the reclassification of "Available-for-sale financial assets" to "Investments in other equity instruments".

** The effect of remeasurement under new financial instruments standards.

Note: Except for the above adjustments, as stated in note VI. 4(m), the Group and the Company adjusted the balance for "Accounts payable" and "Retained earnings" as at 31 December 2017. The restated amount of "Bills and accounts payable" and "Retained earnings" as at 31 December 2017 was RMB1,642,202,552.16 and RMB1,275,233,926.21 respectively.

	For the six months ended 30 June 2017 RMB (before adjustments)	Effect of business combination under common control RMB	Effect of new financial instruments standards RMB	Change of presentation of financial statements RMB	For the six months ended 30 June 2017 RMB (after adjustments)
I. Operating income	3,232,036,937.10	158,517,652.36	—	—	3,390,554,589.46
Less: Operating costs	2,551,886,749.30	96,874,075.33	—	—	2,648,760,824.63
Taxes and surcharges	20,541,881.55	1,353,914.13	—	—	21,895,795.68
Selling and distribution expenses	38,940,794.60	—	—	—	38,940,794.60
General and administrative expenses	307,265,604.16	31,160,887.21	—	(827,348.44)	337,599,142.93
Research and development expenses	—	—	—	827,348.44	827,348.44
Financial expenses	22,396,261.63	2,444,463.73	—	—	24,840,725.36
Impairment (reversal)/losses	(2,033,724.50)	2,524,948.45	2,070,390.87	—	2,561,614.82
Accrual of credit losses	—	6,205,181.99	7,150,849.29	—	13,356,031.28
Add: Other income	39,074,699.65	912,920.69	—	—	39,987,620.34
Investment income	25,100,231.97	856.13	—	—	25,101,088.10
Gain from asset disposals	—	—	113,922.56	—	113,922.56
II. Operating profit	357,214,301.98	18,867,958.34	(9,107,317.60)	—	366,974,942.72
Add: Non-operating income	8,309,055.59	261,295.86	(200,960.00)	—	8,369,391.45
Less: Non-operating expenses	3,080,489.75	124,767.53	(87,037.44)	—	3,118,219.84
III. Profit before income tax	362,442,867.82	19,004,486.67	(9,221,240.16)	—	372,226,114.33
Less: Income tax expenses	97,118,822.76	5,922,987.24	(2,219,113.99)	—	100,822,696.01
IV. Net profit for the period	<u>265,324,045.06</u>	<u>13,081,499.43</u>	<u>(7,002,126.17)</u>	<u>—</u>	<u>271,403,418.32</u>
(1) Net profit classified by continuity					
1. Net profit from continuing operations	265,324,045.06	13,081,499.43	(7,002,126.17)	—	271,403,418.32
2. Net profit from discontinued operations	—	—	—	—	—
(2) Net profit classified by ownership					
1. Non-controlling interests	42,131,919.28	129,244.00	1,830,860.09	—	44,092,023.37
2. Shareholders of the Company	<u>223,192,125.78</u>	<u>12,952,255.43</u>	<u>(8,832,986.26)</u>	<u>—</u>	<u>227,311,394.95</u>

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VIII. COMPARATIVE FIGURES (Continued)

	For the six months ended 30 June 2017 RMB (before adjustments)	Effect of business combination under common control RMB	Effect of new financial instruments standards RMB	Change of presentation of financial statements RMB	For the six months ended 30 June 2017 RMB (after adjustments)
V. Other comprehensive income, net of tax					
Other comprehensive income (net of tax) attributable to shareholders of the Company	(3,089,817.55)	—	—	—	(3,089,817.55)
(1) Items that will not be reclassified to profit or loss:					
1. Remeasurement of defined benefit plan	(45,562.16)	—	—	—	(45,562.16)
(2) Items that may be reclassified to profit or loss					
1. Translation differences arising from translation of foreign currency financial statements	(3,044,255.39)	—	—	—	(3,044,255.39)
Other comprehensive income (net of tax) attributable to non-controlling interests	(1,782,186.99)	—	—	—	(1,782,186.99)
VI. Total comprehensive income of the period	<u>260,452,040.52</u>	<u>13,081,499.43</u>	<u>(7,002,126.17)</u>	<u>—</u>	<u>266,531,413.78</u>
Attributable to:					
Shareholders of the Company	220,102,308.23	12,952,255.43	(8,832,986.26)	—	224,221,577.40
Non-controlling interests	<u>40,349,732.29</u>	<u>129,244.00</u>	<u>1,830,860.09</u>	<u>—</u>	<u>42,309,836.38</u>
VII. Earnings per share					
(1) Basic earnings per share	0.28	0.01	(0.01)	—	0.28
(2) Diluted earnings per share	<u>0.28</u>	<u>0.01</u>	<u>(0.01)</u>	<u>—</u>	<u>0.28</u>

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VIII. COMPARATIVE FIGURES (Continued)

	For the six months ended 30 June 2017 RMB (before adjustments)	Effect of business combination under common control RMB	For the six months ended 30 June 2017 RMB (after adjustments)
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services	3,298,501,885.23	150,070,488.73	3,448,572,373.96
Cash received from other operating activities	84,115,866.59	10,551,343.71	94,667,210.30
Sub-total of cash inflows	<u>3,382,617,751.82</u>	<u>160,621,832.44</u>	<u>3,543,239,584.26</u>
Payment for goods and services	2,367,399,192.39	57,264,158.27	2,424,663,350.66
Payment to and for employees	813,411,524.32	65,094,092.82	878,505,617.14
Payment of various taxes	202,214,927.32	15,716,792.17	217,931,719.49
Payment relating to other operating activities	128,907,147.63	4,465,327.83	133,372,475.46
Sub-total of cash outflows	<u>3,511,932,791.66</u>	<u>142,540,371.09</u>	<u>3,654,473,162.75</u>
Net cash outflow from operating activities	<u>(129,315,039.84)</u>	<u>18,081,461.35</u>	<u>(111,233,578.49)</u>
II. Cash flows from investing activities:			
Investment returns received	4,891,341.02	—	4,891,341.02
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	8,591,770.57	11,924,299.28	20,516,069.85
Proceeds from other investing activities	—	5,461,923.46	5,461,923.46
Sub-total of cash inflows	<u>13,483,111.59</u>	<u>17,386,222.74</u>	<u>30,869,334.33</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets	248,206,274.27	16,537,984.19	264,744,258.46
Payment for acquisition of investments	52,426,500.00	—	52,426,500.00
Net payment for acquisition of subsidiaries	5,784,120.42	—	5,784,120.42
Payment for acquisition of non-controlling interests	1,532,319.96	(1,532,319.96)	—
Sub-total of cash outflows	<u>307,949,214.65</u>	<u>15,005,664.23</u>	<u>322,954,878.88</u>
Net cash outflow from investing activities	<u>(294,466,103.06)</u>	<u>2,380,558.51</u>	<u>(292,085,544.55)</u>

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(Expressed in Renminbi Yuan)

	For the six months ended 30 June 2017 RMB (before adjustments)	Effect of business combination under common control RMB	For the six months ended 30 June 2017 RMB (after adjustments)
III. Cash flows from financing activities:			
Proceeds from borrowings	246,959,915.03	10,000,000.00	256,959,915.03
Sub-total of cash inflows	<u>246,959,915.03</u>	<u>10,000,000.00</u>	<u>256,959,915.03</u>
Repayments of borrowings	35,812,322.33	15,777,661.52	51,589,983.85
Payment for profit distributions or interest	50,866,834.80	1,173,180.81	52,040,015.61
Payment relating to reduction of capital by non-controlling interests	2,894,405.29	1,532,319.96	4,426,725.25
Payment relating to other financing activities	<u>3,247,958.02</u>	<u>—</u>	<u>3,247,958.02</u>
Sub-total of cash outflows	<u>92,821,520.44</u>	<u>18,483,162.29</u>	<u>111,304,682.73</u>
Net cash inflow from financing activities	<u>154,138,394.59</u>	<u>(8,483,162.29)</u>	<u>145,655,232.30</u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	<u>(2,107,753.90)</u>	<u>—</u>	<u>(2,107,753.90)</u>
V. Net decrease in cash and cash equivalents	(271,750,502.21)	11,978,857.57	(259,771,644.64)
Add: Cash and cash equivalents at the beginning of the period	<u>1,594,659,167.72</u>	<u>63,223,402.91</u>	<u>1,657,882,570.63</u>
VI. Cash and cash equivalents at the end of the period	<u>1,322,908,665.51</u>	<u>75,202,260.48</u>	<u>1,398,110,925.99</u>