



# 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

Maintain our  
**Strategic Commitment**  
with a focus on  
**Travel Service**



**ANNUAL REPORT 2018**

\* For identification purposes only

## Company Profile

Guangdong Yueyun Transportation Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are integrated transportation and logistics service providers. The Company was established in 1999 and became listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 03399) in 2005. Currently, the total share capital of the Company is 799,847,800 shares, with approximately 74.12% being held by its controlling shareholder, Guangdong Provincial Communication Group Company Limited (“GCGC”), and approximately 25.88% being held by H shareholders.

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

- 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” and “logistics”, focus on creating a travelling service integrated platform and a logistic network operation platform, further develop the transportation resources and endeavor to become an integrated transportation service group at international level.



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# COMPANY INFORMATION

## LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

## STOCK CODE

03399

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3108 - 3112,  
31/F,  
Hong Kong Plaza,  
188 Connaught Road West,  
Hong Kong

## 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





## **AUTHORISED REPRESENTATIVES**

Xuan Zongmin  
Tang Yinghai

## **AUDITOR**

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

## **PRINCIPAL BANKS**

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

## **LEGAL ADVISER**

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

## **HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE**

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



# BUSINESS OVERVIEW OF THE COMPANY

The terminals operated by the Group include tier 1 passenger transportation terminals, tier 2 passenger transportation terminals, tier 3 passenger transportation terminals and other passenger transportation terminals, which distributed in every major cities and counties in Guangdong province. The specific compositions of coach terminals of the Company are as follows:

Unit: No. of terminals

Project	As of 31 December 2018	As of 31 December 2017
Tier 1 terminals	10	10
Tier 2 terminals	28	28
Tier 3 terminals	15	15
Other terminals	27	27
Total	80	80

The passenger transportation vehicles of the Group mainly include road passenger transportation vehicles, urban public transportation vehicles and taxis, the specific compositions are as follows:

RBM

10000

8000

6000

4000

2000

0

2018

2017

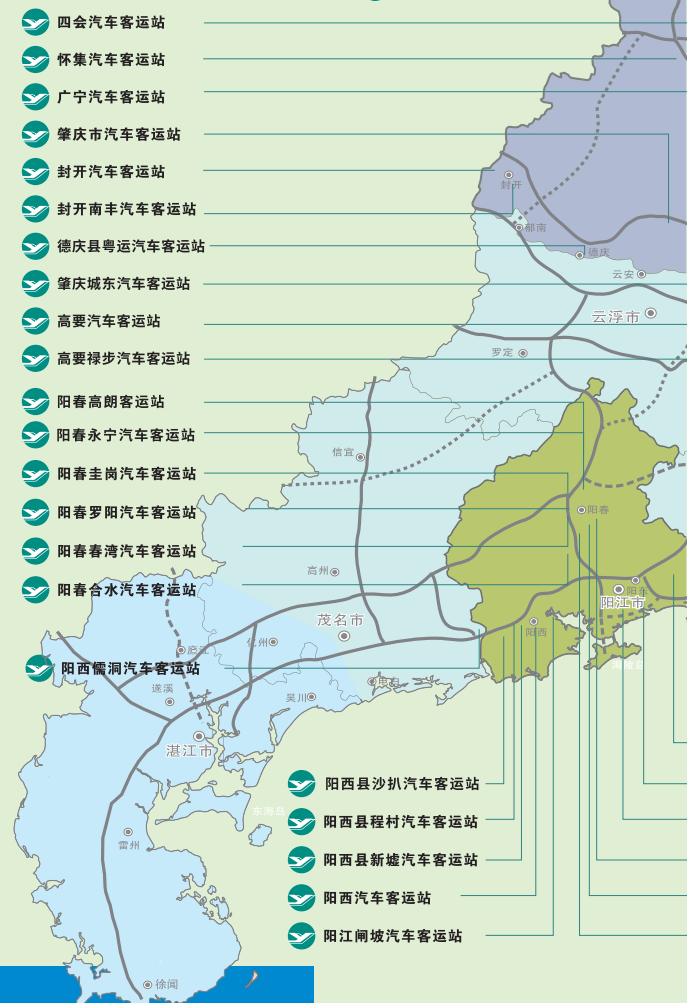
- Taxis
- Urban Public Transportation Vehicles
- Road Passenger Transportation Vehicles

- 四会汽车客运站
- 怀集汽车客运站
- 广宁汽车客运站
- 肇庆市汽车客运站
- 封开汽车客运站
- 封开南丰汽车客运站
- 德庆县粤运汽车客运站
- 肇庆城东汽车客运站
- 高要汽车客运站
- 高要禄步汽车客运站
- 阳春高朗客运站
- 阳春永宁汽车客运站
- 阳春圭岗汽车客运站
- 阳春罗阳汽车客运站
- 阳春春湾汽车客运站
- 阳春合水汽车客运站

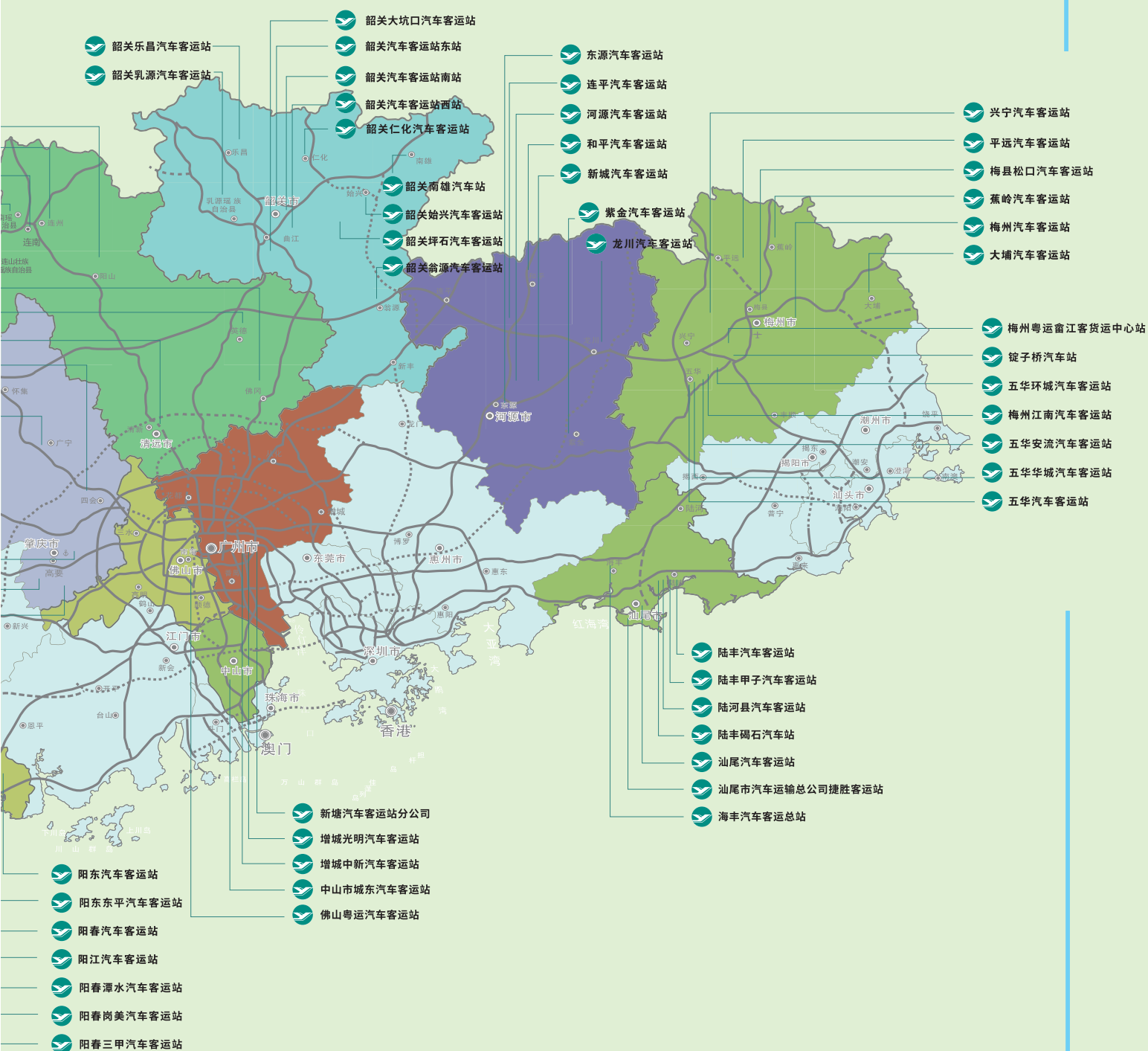
阳西儒洞汽车客运站

- 阳西县沙扒汽车客运站
- 阳西县程村汽车客运站
- 阳西县新墟汽车客运站
- 阳西汽车客运站
- 阳江闸坡汽车客运站

- 清远阳山汽车客运站
- 清远连州汽车客运站
- 清远市连南汽车客运站
- 连南县寨岗汽车客运站
- 清远连山汽车客运站
- 佛冈振兴汽车客运站
- 清远英德汽车客运站
- 清远新城汽车客运站

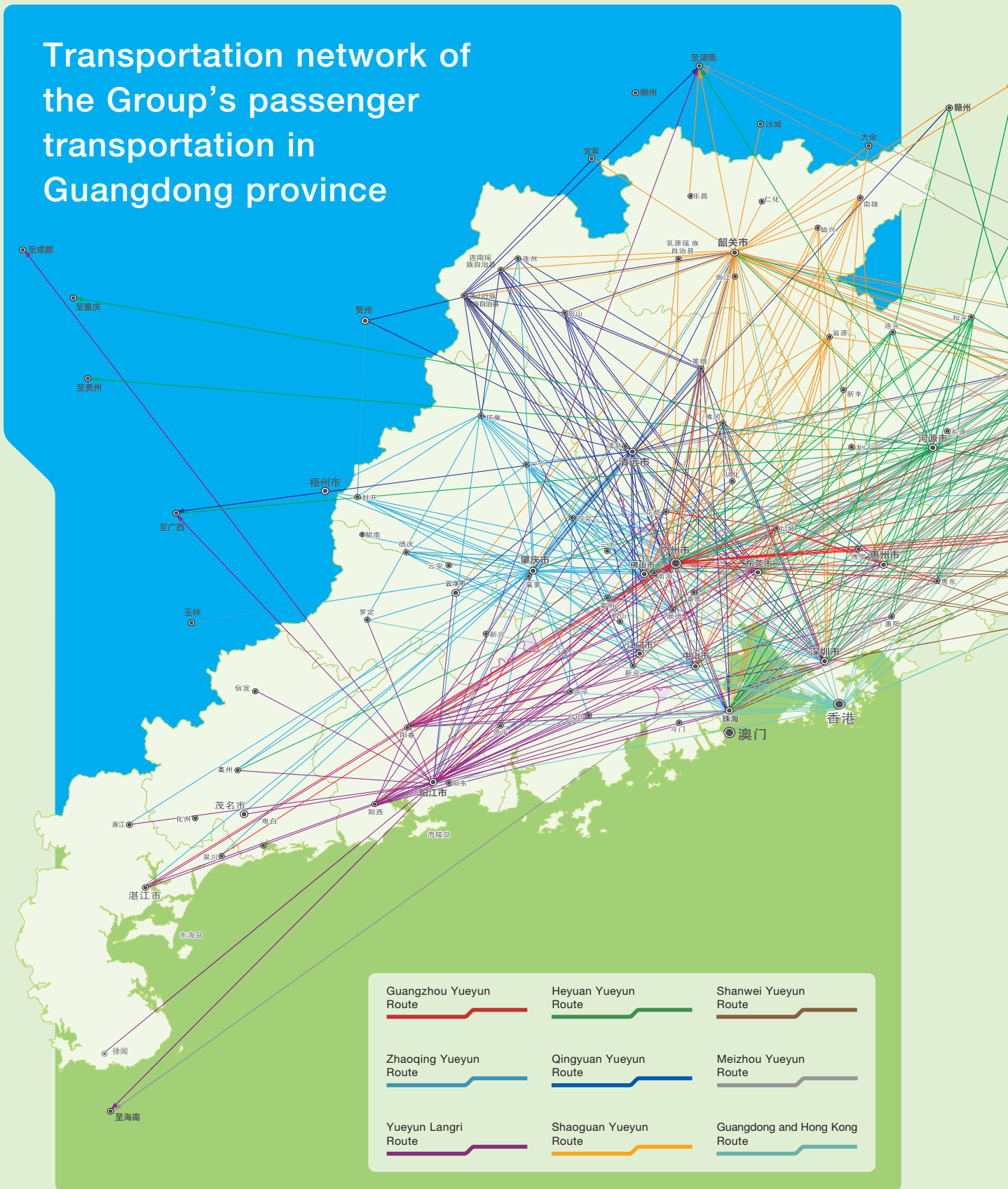


## Distribution of passenger transportation terminals of the Group





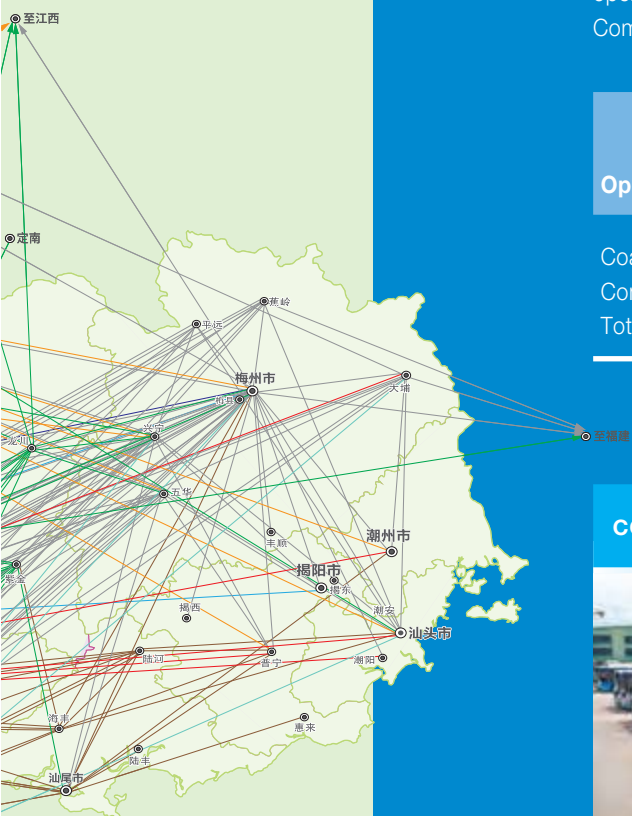
## Transportation network of the Group's passenger transportation in Guangdong province



## BUSINESS OVERVIEW OF THE COMPANY

From the perspective of the passenger transportation service business of the Group, it can be divided into coaches operated by the government and contracted operation. The composition of operated vehicles with two operating models of the Company are as follows:

Operating model	As of 31 December 2018	As of 31 December 2017
Coaches operated by the government	8,056	6,603
Contracted operation	1,357	2,697
Total	9,413	9,300



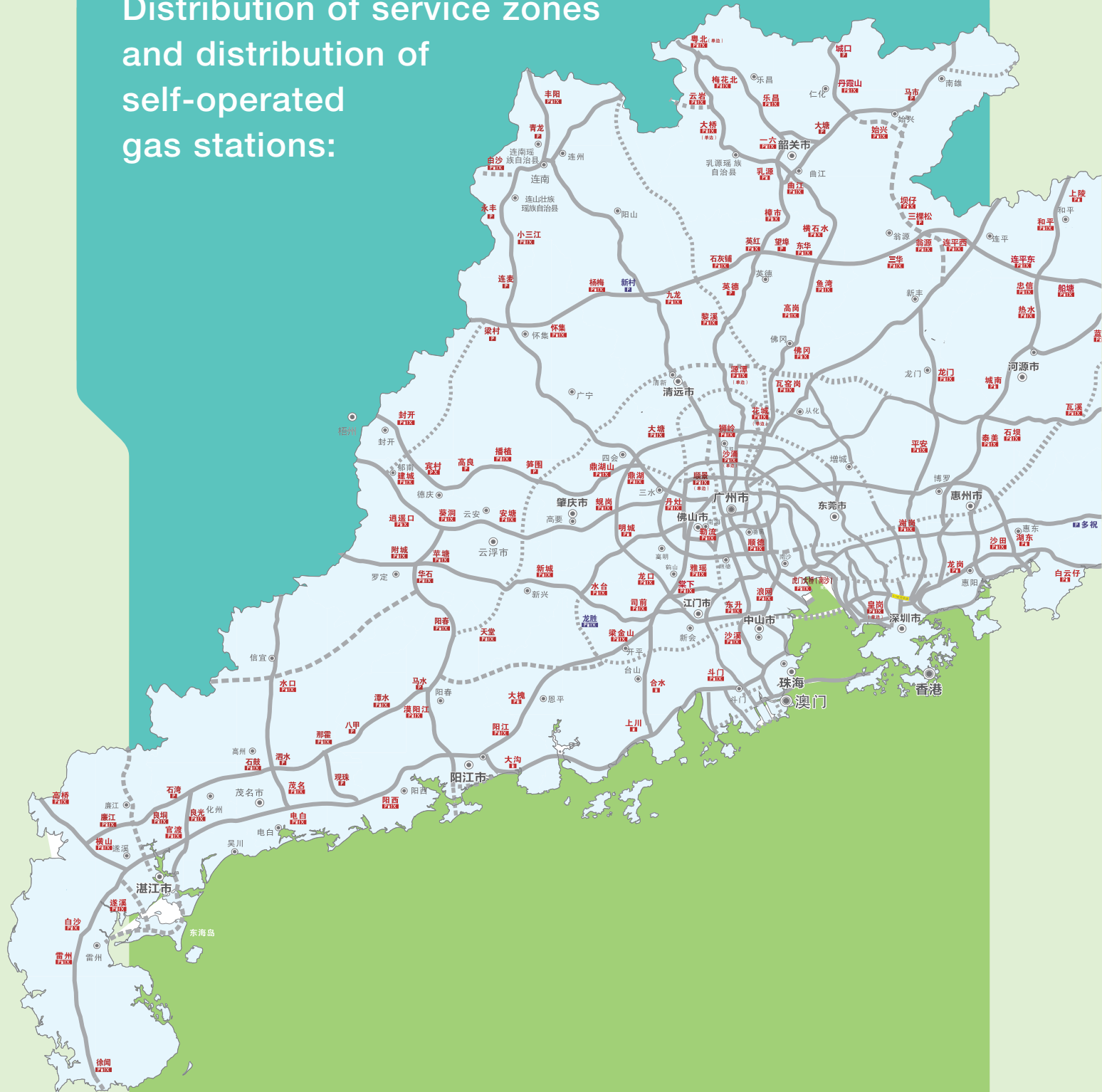
### COACHES OPERATED BY THE GOVERNMENT



### CONTRACTED OPERATION



## Distribution of service zones and distribution of self-operated gas stations:





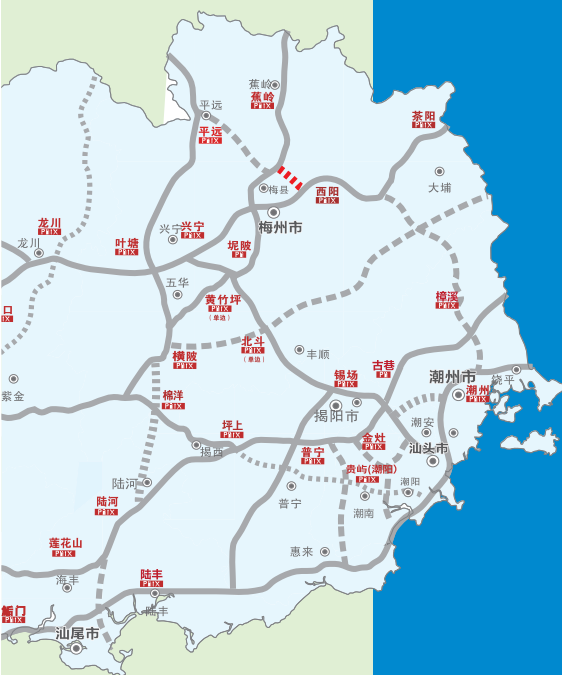
## BUSINESS OVERVIEW OF THE COMPANY

The composition of major resources in expressway service zones of the Group:

Major resources	As of 31 December 2018	As of 31 December 2017
Expressway service zones	290	210
Gas stations	169	162
Self-operated convenience stores in expressway service zones	285	211
Expressway media	516	480

Among the above, in respect of gas station business, the Group mainly outsources the gas stations in expressway service zones to contractors and charges a certain amount of contracting fee and sales volumes commission as income. In the recent years, the Group leveraged Yueyun Energy as a brand for gradually carrying out sales of petroleum products business through self-operated gas stations, and planned to gradually increase the ratio of self-operated gas stations in the future. The composition of gas stations with two operating models of the Company:

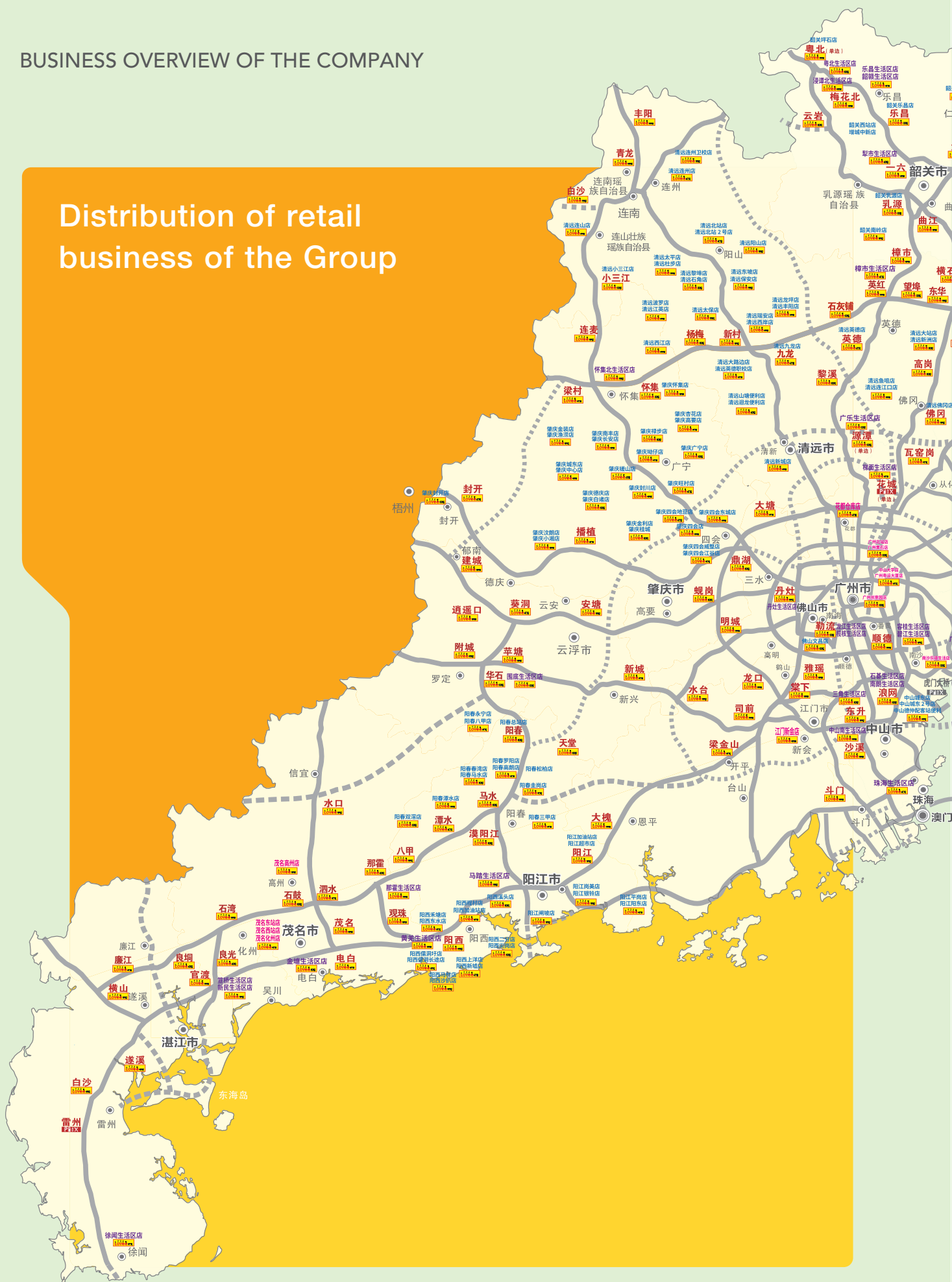
	As of 31 December 2018		As of 31 December 2017	
Operating model	Number	%	Number	%
Self-operated	27	15.25%	20	12.35%
Contracted operation	142	84.75%	142	87.65%
Total	169	100.00%	162	100.00%



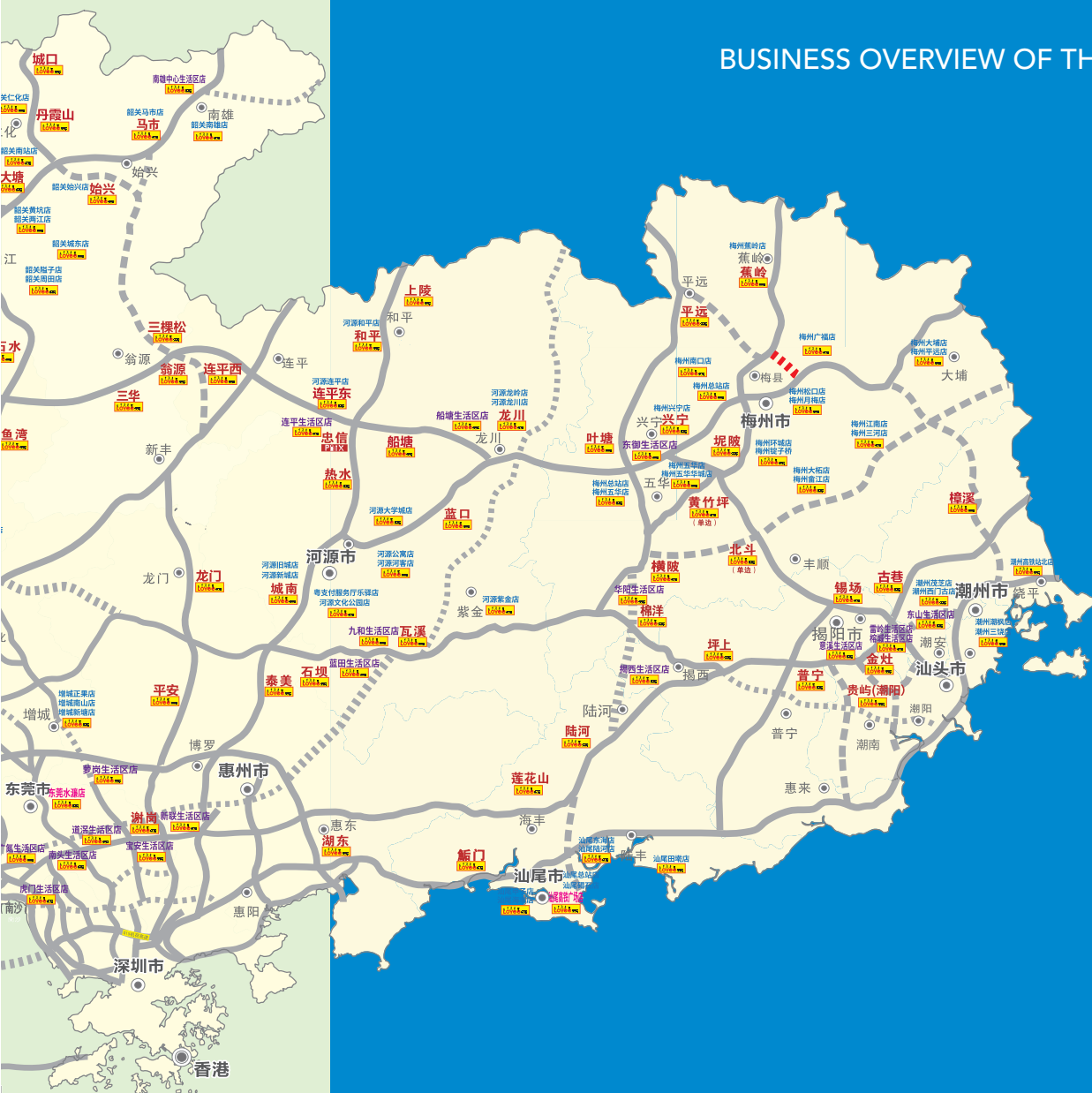
### YUEYUN ENERGY



## Distribution of retail business of the Group



## BUSINESS OVERVIEW OF THE COMPANY



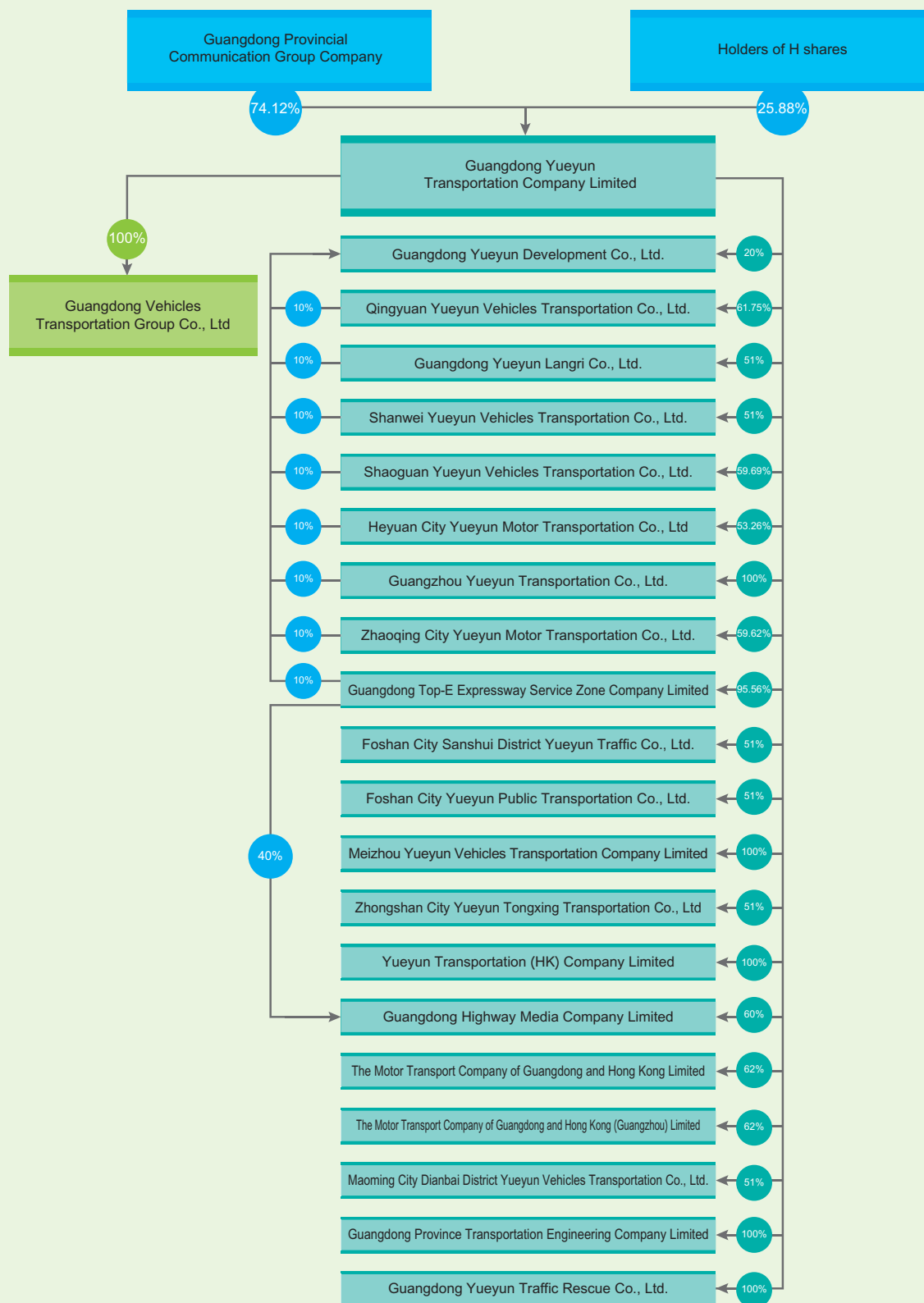
### LOYEE CONVENIENCE STORE





# COMPANY STRUCTURE

## THE COMPANY STRUCTURE AS AT 31 DECEMBER 2018:



# FINANCIAL HIGHLIGHTS

	31 December 2018 RMB' 000	31 December 2017 RMB' 000 (Restated)	Change
<b>Results highlights</b>			
Operating income			
Travel service	<b>5,351,387</b>	4,981,282	7%
Material logistics	<b>936,922</b>	2,558,455	(63%)
Others	<b>6,902</b>	4,275	61%
Total operating income	<b>6,295,211</b>	7,544,012	(17%)
Gross profit			
Travel service	<b>1,025,012</b>	1,227,369	(16%)
Material logistics	<b>51,368</b>	231,125	(78%)
Others	<b>(374)</b>	(6,224)	(94%)
Total gross profit	<b>1,076,006</b>	1,452,270	(26%)
Taxes and surcharges	<b>(47,183)</b>	(56,172)	(16%)
Selling and distribution expenses	<b>(65,438)</b>	(88,883)	(26%)
General and administrative expenses, and research and development expenses	<b>(680,663)</b>	(723,759)	(6%)
Finance expenses	<b>(64,643)</b>	(58,769)	10%
accrual of impairment losses	<b>(5,952)</b>	(10,994)	(46%)
Reversal/(accrual) of credit losses	<b>20,888</b>	(21,339)	(198%)
Other income	<b>245,599</b>	172,760	42%
Investment income	<b>33,997</b>	47,206	(28%)
Gains from asset disposals	<b>14,450</b>	258	5,501%
Operating profit	<b>527,061</b>	712,578	(26%)
Non-operating income and expenses	<b>1,326</b>	9,927	(87%)
Total profit	<b>528,387</b>	722,506	(27%)
Income tax expenses	<b>(149,254)</b>	(182,924)	(18%)
Net profit	<b>379,133</b>	539,582	(30%)
Net profit attributable to shareholders of the Company	<b>327,386</b>	428,560	(24%)
Profit and loss attributable to minority interests	<b>51,747</b>	111,022	(53%)
Basic earnings per share (RMB)	<b>0.41</b>	0.54	(24%)

## FINANCIAL HIGHLIGHTS

	31 December 2018 RMB' 000	31 December 2017 RMB' 000 (Restated)	Change
<b>Results highlights</b>			
Total assets	<b>8,456,308</b>	9,183,627	(8%)
Total net assets	<b>3,533,564</b>	3,678,240	(4%)
Equity attributable to shareholders of the Company	<b>2,381,953</b>	2,477,052	(4%)
Net assets per share attributable to owners of the Company (RMB)	<b>2.98</b>	3.10	(4%)
<b>Ratio</b>			
Gross profit margin (%)	<b>17.09%</b>	19.25%	(11%)
Interest coverage ratio (times)	<b>8.28</b>	12.48	(34%)
Gearing ratio (%)	<b>58.21%</b>	59.95%	(3%)
Current ratio (times)	<b>1.00</b>	1.27	(21%)

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

Note: The shareholders of the Company approved, at the extraordinary general meeting held on 19 March 2018, the disposal of Guangdong South China Logistics Enterprise Company Limited ("South China Logistics Enterprise", together with its subsidiaries, "South China Logistics Enterprise Group"), which is principally engaged in the material logistics business, pursuant to which, the Company transferred 100% equity of South China Logistics Enterprise to Guangzhou Yueyun Investment Management Co., Ltd. (廣州粵運投資管理有限公司) ("Yueyun Investment Management", a subsidiary of GCGC), and acquired 100% equity of Meizhou Yueyun Vehicles Transportation Company Limited ("Meizhou Yueyun") from Yueyun Investment Management. Following the completion of the acquisition, South China Logistics Enterprise was no longer a wholly-owned subsidiary of the Company and Meizhou Yueyun became a wholly-owned subsidiary of the Company.



## MAJOR EVENTS

In December 2017, the Company entered into the Asset Swap Agreement with Yueyun Investment Management, pursuant to which, the Company sold 100% equity interest in South China Logistics Enterprise to Yueyun Investment Management and acquired 100% equity interest in Meizhou Yueyun from Yueyun Investment Management. The Asset Swap Agreement and the transactions contemplated thereunder was approved by shareholders at the extraordinary general meeting held on 19 March 2018. Upon the completion of Asset Swap, South China Logistics Enterprise ceased to be a subsidiary of the Company, and Meizhou Yueyun became a subsidiary of the Company.

In April 2018, the Company's subsidiary, Guangdong Yueyun Langri Co., Ltd. proceeded with the public transport collaboration project in Hailing Island Economic Development Trial Zone. Yangjiang Hailing Yueyun Langri Tourism Transportation Co., Ltd. was put into operation.

In April 2018, "May 1st" International Labor Day Celebration cum Recognition of Model Workers in Guangdong Province was held at the meeting room of Zhudao Hotel Guangzhou. Driver leader Wu Huiping and driver Xie Wenjian from Foshan City Yueyun Public Transportation Co., Ltd. and Zhaoqing City Yueyun Motor Transportation Co., Ltd. ("Zhaoqing Yueyun"), subsidiaries of the Company, received the Provincial May 1st Labor Medals.



## MAJOR EVENTS

In June 2018, the Company was awarded the title of “Enterprise of Observing Contract and Valuing Credit in Guangdong province for consecutive 15 years (2003-2014) (連續十五年(2003-2017年)廣東省守合同重信用企業)” by Guangdong Province Administration for Industry & Commerce.

In June 2018, the Company was ranked No. 2 on the list of “Top 100 Trustworthy Road Transportation Enterprises in China (2018)” issued by the China Road Transport Association; while subsidiaries of the Company, Qingyuan City Yueyun Vehicles Transportation Co., Ltd, Guangdong Yueyun Langri Co., Ltd., Shaoguan Yueyun Vehicles Transportation Co., Ltd. And Zhaoqing City Yueyun Motor Transportation Co., Ltd., ranked No. 52, No. 76, No. 86 and No. 90, respectively. This selection was organized by the China Road Transport Association.

In July 2018, was awarded the title of “Exemplary Transportation Enterprise for Energy Saving and Emission Reduction (2017) (交通運輸節能減排示範企業)” by the China Association of Communications Enterprise Management.

In August 2018, Zhaoqing City Yueyun Motor Transportation Co., Ltd., a subsidiary of the Company, was the general contractor of large passenger bus, medium passenger bus and public transport service for the 15th Games cum the 8th Para Games of Guangdong Province. The 5-month transportation service for the 15th provincial games, through the trial games on 1 April, official games, rehearsals and drills to the opening and closing ceremonies, was completed successfully. In respect of the transportation arrangement for the entire provincial games, Zhaoqing Yueyun assigned 6,887 vehicles and transported 247,000 passengers. Zhaoqing Yueyun completed all transportation tasks with “safety, high efficiency, good order and high quality” and received praise and recognition from government departments, the athletes and the media.



In September 2018, the integrated development of city and rural passenger transportation by the Company was selected by Guangdong Traffic and Transport Association (廣東省城市公共交通協會) as the “Top Ten Influential Events on City Public Transportation Industry of Guangdong Province at the 40th Anniversary of the Reform and Opening-up”

On 12 September 2018, Guangdong Yueyun Development Co., Ltd., a subsidiary of the Company, obtained the official approval for the service of online taxi booking platform from the Department of Transport of Guangdong Province with permission for nationwide service. It also obtained the operation permit for online taxi booking in Guangzhou on 7 November. The development team was prompted to complete the development of the passenger-end APP and driver-end APP for online express booking, online inter-city car-pooling and online taxi booking on the Internet booking platform and the business backend system, which will go live on 28 November 2018.

On 29 September 2018, the Archives Administration of Guangdong Province conducted an on-site assessment on the corporate archives of the Company. After a comprehensive assessment, the Company passed the assessment with a high score and was rated a “2A Unit of the Model Assessment of Corporate Archives in Guangdong Province” by the Archives Administration of Guangdong Province.

In November 2018, the Company was awarded the “2018 Excellent Unit of Cultural Construction in National Transportation Services” and the “2018 Outstanding Unit of Cultural Construction in National Transportation” by the Selection Committee for Excellent Management Result in Transportation Industry of the China Association of Communications Enterprise Management.

From 6 to 11 November 2018, the 12th China International Aviation & Aerospace Exhibition took place in Zhuhai. Zhaoqing City Yueyun Motor Transportation Co., Ltd., a subsidiary of the Company, assigned a total of 143 Yueyun Express, 143 drivers and 40 staff to provide transportation service for the exhibition, making over 1,000 trips and transferring over 40,000 visitors. The goals of no incidents, no complaints about service and no delays in visitors' transit.

In December 2018, the Company participated in the 2018 “Golden Hong Kong Stock” selection and won the titles of “Best Value Public Utilities and Basic Infrastructure Company” and “Most Socially Responsible Listed Company”.

## MAJOR EVENTS

### ROAD PASSENGER TRANSPORTATION AND AUXILIARY SERVICES

In 2018, the Company and Tencent Cloud Computing (Beijing) Co., Ltd. (騰訊雲計算(北京)有限責任公司) (hereinafter refer to as "Tencent Cloud") reached strategic cooperation consensus in respect of unconscious pay, big data, facial recognition focusing on "Internet+Travel Services" to commence indepth cooperation for creating a travel service ecosystem. By putting Meizhou Yueyun into operation as the pilot for the intelligent terminals project to establish the standard for the intelligent terminals of Guangdong Province, convenient functions such as passengers self-service ticket inspection can be materialized; by leveraging on big data for the provision of local terminals and analysis on migration of passengers in areas focussing around schools and hospitals, target customers can be identified; and by providing analysis with different dimensions of customers' faces, the Company is able to place target customer -oriented advertisements for precise marketing, thereby, facilitating researches, pilot schemes and promotions of the "intelligent terminals" in Guangdong Province.



### SERVICE ZONE OPERATION

In 2018, Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, signed contracts for a total of 27 service zones for various sections such as Zhan Xu Extension, Gao'an, Lianying, Yinghuai, Xinbo and Renxin. In addition, the operating rights of service zones were granted for the new sections of expressways for 2019-2020, including Shan Zhan Hui Qing Section, Meiping and Hualv expressway service zones.

### ENERGY BUSINESS

On 24 May 2018, Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, obtained the right to operate the Huanggang Gas Station on the southbound Guangzhou-Shenzhen Expressway and entered into the Contract for the Operation Right of the Huanggang Gas Station on the southbound Guangzhou-Shenzhen Expressway for the amount of RMB46.06 million.

Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company entered into cooperation agreement for rapid charging piles for electric vehicles with Guangdong Grid, pursuant to which, construction and operation of 14 pairs of charging piles in service zones was completed. As of 31 December 2018, the Company owned 65 charging stations with 226 charging piles. At present, there are two modes of operation for the charging piles, namely shared service fee (37 piles) and fixed rent (28 piles).

On 31 December 2018, operating contracts were entered into between Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company and Shaoguan Yueyun for gas stations in Wengyuan, Shaoguan. Effective from 1 January 2019, the operation of gas stations in Wengyuan under Shaoguan Yueyun shall be taken up by Yueyun Energy, bringing about a new phase to the expansion of the "Expressways Downstream" while further expanding the scope of business.





## CONVENIENT STORE RETAIL

New intelligent retail system in the headquarters in 2018 to 2019 so as to satisfy the demand for development of the retail business and to enhance the business management of convenient stores. Functions such as online sales and mobile management will be added to link up with the Company's business centre and the treasury system. Tender invitation for suppliers has currently been completed for the new system.



On 24 December 2018, the first “community supermarket” under the Loyee brand was officially opened in the Times Yuntu community in Nansha, Guangzhou.

## AUTOMOBILE SERVICE BUSINESS

On 28 June 2018, Guangdong Yuenyun Traffic Rescue Co., Ltd., a subsidiary of the Company, entered into the Technical Consultation Contract of Traffic Rescue Business for the Main Bridge Section of the Hong Kong-Zhuhai-Macao Bridge with the Hong Kong-Zhuhai-Macao Bridge Authority.



On 19 September 2018, Guangdong Yuenyun Traffic Rescue Co., Ltd., a subsidiary of the Company, is the winning bidder of the tender package produced by Guangdong Province South China Transportation Longhuan Expressway Management, the content of which includes traffic accidents in respect of the roads along the entire Longhuan Expressway Lianying Section of 148.55km and Yinghuai Section of 88.8km, Guangzhongjiang Expressway of 67.3km, Renbo Expressway Xinbo Section of 108km, rescue and clearance services for the failed vehicles. The exact tender amount was \$54.5705 million. The term of service was 9 years.





# INVESTMENT VALUE OF THE COMPANY

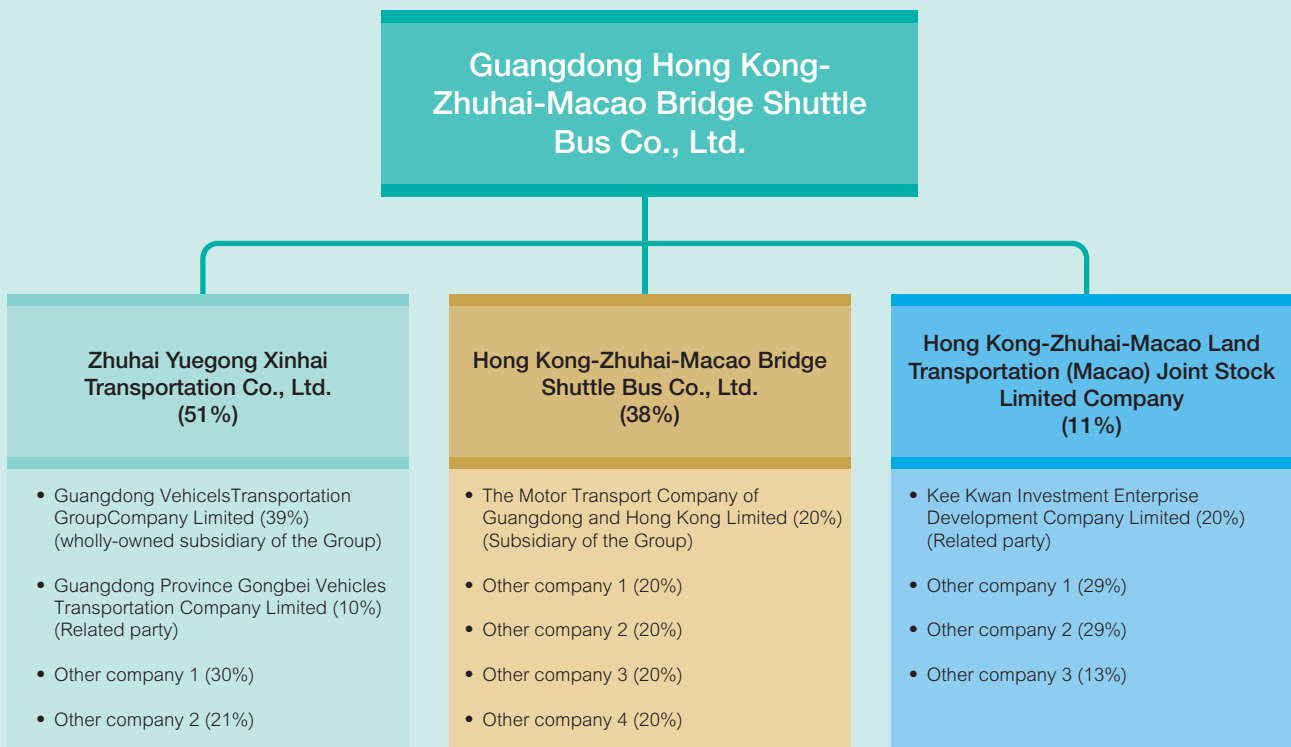
## ROAD PASSENGER

### TRANSPORTATION AND AUXILIARY SERVICES

- Has a complete road transportation business system and rank first in terms of market share within Guangdong Province
- Has been ranked among the Top 100 Trustworthy Road Transportation Enterprises in China (全國道路運輸百強誠信企業) for many years
- Its well-known brand of “Yueyun Express” is a well-known road passenger transportation service brand with strong competitiveness in the industry
- Mature model of development with obvious synergies from integration of regional transportation enterprises
- Initiatives such as reclaiming advantageous routes for self-operation, “exploring the downstream market” and commercial development of terminal services brought incremental business



- The Group has a cumulative shareholding of 24.6% in Guangdong Hong Kong-Zhuhai-Macau Bridge Shuttle Bus Co., Ltd. (廣東港珠澳大橋穿梭巴士有限公司), which is currently operating and is expected to become a new profit



- “Transportation + Tourism”, provide customized travel products through the Internet platform and building passenger transportation terminals into entities providing multi-functional integrated comprehensive services such as tourism, travel and commerce

- Intelligent travel, qualified for online car-hailing, online launch of Yuexing (悦行) mobile travel system, strategic cooperation with Internet enterprises to facilitate the optimization and upgrade of traditional road passenger transportation

- “Yueyun Rescue” road rescue business is gradually materializing national coverage, with active nurturing of automobile repair business, drivers training business and automobile leasing business



### SERVICE ZONE OPERATION

#### 1. ENERGY BUSINESS (Refined Oil Retail, Charging Piles)

- Expand and strengthen the service zone gas station business by combining a variety of business models such as self-construction (35 stations, including 8 stations in progress) and contracted operation (a total of 142 stations) awarding to gradually form the sales network of Yueyun Energy gas stations
- Enhance business collaboration, “Yueyun Energy” procures and supplies oil for the passenger transportation business of the Group on a centralized basis to reduce fuel costs of the passenger transportation business and increase the market share of “Yueyun Energy”
- Active promotion of, the encrypted service zones (carpark zones) of expressways, and the construction and deployment of additional gas stations at the exit and entrance of expressways and offline local gas stations

- Construction of 491 charging piles for passenger transportation terminals which, together with the 226 charging piles at the expressways service zones, formed a network of provincial charging business



#### 2. CONVENIENCE STORE RETAIL BUSINESS

- 290 expressway service zones and more than 80 passenger transportation terminal resources of equivalent level, enjoying advantages in network and scale
- Well-known expressway service zone convenience store brand of “Loyee” with 522 outlets, gradually developing a momentum of expansion for the online and offline omni-channel network



- Build a retail chain network of convenience store covering the whole Guangdong Province
- Enhance business collaboration and provide a common room for development for the Group’s logistics distribution, car rental and ticketing businesses



### 3. COMMERCIAL RECRUITING BUSINESS

- Own the right to operate the largest number of expressway service zones in Guangdong Province (290 zones) and enjoy network and scale advantages relying on the huge expressway traffic in Guangdong Province
- Develop large-scale integrated commercial projects in key service zones, creating a model for Dahui service zone and national service zones, thereby significantly enhancing the business value of the service zones

### 4. ADVERTISING MEDIA BUSINESS

- Coordinate and integrate expressway and passenger station advertising resources, covering more than 50 expressways, 290 expressway service zones and 80 passenger station resources, and enjoy network and scale advantages
- Transform into a transport system integrated media resource platform operator



### OPERATION OF TAIPING INTERCHANGE ASSETS

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

### OTHER BUSINESS

#### SMALL PARCEL EXPRESS DELIVERY BUSINESS

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



## CHAIRMAN'S STATEMENT

In 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 in the year.



**Xuan Zongmin**  
Chairman

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, larger fluctuation in Renminbi and other factors, competitive strength in export weakened, the trade surplus of China's goods significantly narrowed, and the pulling effect of net exports on GDP growth turned from positive to negative.



There were changes in the structure of nationwide transportation and travel. 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. 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 passenger transportation segment, road passenger transportation also face new development opportunities.



With the vigorous promotion of the strategic development in Guangdong, Hong Kong and Macao Bay Area by the government, 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. To better cope with the profound changes in the travel service market, the Group first began to adjust the structure of transportation business with the support of informationization for the construction of an integrated comprehensive travel service platform to enhance the quality of operation so as to actively promote the development of intelligent transportation (智慧交通). 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 quality of the enterprise’s vitality. The fourth was the enhancement of management standards to optimize organization assurance, accelerate financial management transformation, and focus on preventing and resolving important area risks. 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.

Major investments and key business developments of the Group in 2019 are as follows:

### TRAVEL SERVICE SEGMENT

#### I. Road Passenger Transportation and Supports

- (1) The Group will actively strengthen the supply side structural reform in road transportation business pursuant to the change in demand side, adjust the structure of transportation capacities actively, optimize inter-city routes business as planned, greatly promote the development of the integrated urban and rural passenger transportation business (including rural passenger transportation, urban public transportation, automobile leasing, charter coach, taxis, transportation + tourism, inter-county and county).
- (2) The Group will accelerate to promote online and offline vehicle resources integration of the Company, complete the launch of online travel omni products such as ticketing with single network in the Guangdong province, urban e-hailing and urban customized travel. Interaction with external strategic potential partners will be strengthened for explore and initiate diversified mode of traffic attraction, as well as expand the professional operating influence in e-hailing online platform within the region.





- (3) The Group will actively promote its regional companies to develop passenger transportation business, which will initiate the public transportation TC (Transport Community) model reform in Zengcheng, vigorously take the lead of the upgrade and transformation of passenger transportation service in Guangdong-Hong Kong-Macao Greater Bay Area such as Nansha, and use pure electric vehicles to carry out public transportation transformation for eligible rural passenger transport lines.
- (4) The Group will reinforce cost awareness, strictly control scale of staff, and strengthen management and control over labor cost. The Group will also focus on reduce production and operation costs, perform routes audit of core routes comprehensively, with focus on put efforts on cost management of vehicles, fuels, maintenance, depreciation, insurance and back office.
- (5) The Group took the lead to establish the "Guangdong Province Zhongdao Tourism Distribution Centers Alliance(廣東省中道旅遊集散中心聯盟)", which strives to promote the development of travel and transportation in the industry. Overall plan will be made to accelerate entry into the tourism market. In response to adapt to the new types of operation, the Group will promote upgrade and transformation of existing passenger stations into tourism distribution centers comprehensively, 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 operation for the shuttle bus franchise project of the Hong Kong-Zhuhai-Macao Bridge, in order to establish a new profit growth point for the Company.

## II. Expressway Service Zones Operation

### 1. Energy Business

- (1) The construction and put into operation of self-operated gas stations will be accelerated to promote and the network scale of "Yueyun Energy" will be improved. The Group will strive to complete 12 newly-built gas stations in 6 pair of service zones in Longsheng, Yingde, Qingyuan, Jiangao, Chengbei and Ketang and apply for upgrading and construct for 5 gas stations in Shayong, Huanggang, Shunjing, Nanxiong and Wengyuan, and strive for achieving 45 self-operated gas stations in aggregate at the end of 2019.
- (2) The Group will fully leverage on the platform and resources of GCGC, enhance communication and co-ordination with local governments for advancing the implementation of gas stations in the entrances and exits of expressways, gas stations in the expressways and gas stations in urban areas actively, as well as expand the network layout of gas stations in a diverse manner through increasing the equity of joint ventures to achieve holding a controlling stakes in the jointly-held gas stations so as to incorporate into "Yueyun Energy" for operation and management centrally.
- (3) The Group explore and expand oil tank business actively, and seek opportunities to enter into refined oil storage business through acquisition of gas depots or self-built gas depots for improving the end-user sales industry chain and enhancing the petroleum products procurement cost active management capability.



## CHAIRMAN'S STATEMENT

- (4) We will continue to dedicate efforts on improve "Neigong". On the one hand, the Group will adapt effective marketing strategy to enhance the promotion of "Yueyun Energy" brand greatly through the successful implementation experiences of "one station, one strategy", on the other hand, the Group will also further enhance operational and management capability through strengthening internal control and continuing to implement standardized management of operation and opening and establishment of demonstration stations as per the geographic locations.
- (5) We will reduce fuel cost effectively, enhance synergy effect to achieve maximisation of our Group's value by continuing to expand the scope of central purchasing and supply of "Yueyun Energy" to petroleum products of the passenger transportation companies of the Group.
- (6) We will strive to knit a net covering charging business in expressways and urban community by continuing to improve the layout and planning of urban charging network, promote the interconnection between urban charging stations and social charging platforms actively and promote construction layout of charging network in service zones steadily.



### 2. Convenience Stores Retail Business

- (1) Except for focus on network expansion with convenience stores in expressway service zones, Loyee convenience stores will put greater efforts on the layout of urban commercial areas stores and urban community supermarkets, so as to achieve expansion from "online" expressways to "offline" urban commercial areas and endeavor to open over 620 stores of Loyee convenience stores.
- (2) The Group will build up a group buying wholesale and sales team for major customers, put greater efforts on integrate the internal materials supply channel within GCGC, and deeply launch "Distribution" service as needed and customized premium merchandises and materials for customers of group buying.
- (3) The Group will adjust the operating model timely, improve the proper differentiation mechanism for portfolio of types and functions of merchandises, introduce external resources for enriching services and functions for the convenience of people pursuant to different consumption scenarios and commercial locations and environments. The Group will also attempt to explore and use new ways of retailing such as "unmanned convenience stores" or auto vending machines to make up for the weakness that a convenience store is unable to operate twenty-four seven, which strive for achieve revenue increase and cost reduction.

- (4) The Group will further optimize the supply chain management model, increase the percentage of numbers of manufacturers of suppliers, in order to reduce purchasing costs gradually. The smart retail system will be optimized, which set a reasonable inventory for various merchandises in different stores and implement the systematic auto-order third-party active distribution model. Thus, the logistics distribution efficiency will be improved and the logistics costs will be reduced at the same time.
- (5) By reinforcing business synergy and active cross-sectors collaboration, the Group can leverage on the third-party platform to develop online business and enhance brand awareness.

### 3. *Merchant Solicitation Business*

- (1) The Group will strive for put Dahuai service zone into operation for establish a demonstration service zone in China, and will complete the commercial transformation projects such as service zones in Yayao, Luhe, Xincheng and Fucheng.

- (2) The Group will put greater efforts on acquisition of advertisement resources and expand the advantages in media resources for achieving resources increment target. We will improve self-operation and planning business expansion capability, improve channel business efficiency, as well as improve business value of advertisements in service zones and terminals. The Group will facilitate the merger and acquisition for transform into an omin media, continue to strengthen innovation of incentive mechanism and strengthen the management and control over the account receivables.

## MATERIAL LOGISTICS SEGMENT

The Group will continue to steadily perform completion works of material supply inventory business.

**Xuan Zongmin**  
*Chairman*

Guangzhou, PRC  
13 March 2019



# MANAGEMENT DISCUSSION AND ANALYSIS

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

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 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. The Group highly emphasized on capital operations, actively promoted the Company’s return to the A-share market and in hope of better use of the capital markets of Hong Kong and Shenzhen to help the Company’s layout for travel service ecosystem business, and strived to achieve leapfrog development.





## MANAGEMENT DISCUSSION AND ANALYSIS

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

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 travelers. Meanwhile, control on the costs of operation and management was strengthened, hard budget management controls were imposed and cost structure was optimized to actively build a financial shared service system, improve financial management efficiency, and improve internal control systems to prevent and eliminate risks. The Group made continuous efforts to achieve higher quality, more efficient, more equitable and more sustainable development.

### TRAVEL SERVICES SEGMENT

#### 1. Road passenger transportation and auxiliary

The Group deeply studied the changes in travel demand and methods. As a leader in the road passenger transportation industry in Guangdong province, the Group actively contributed to the wisdom of Yueyun for adjustment and reform of the passenger transportation industry policies, and proposed the Yueyun proposal. 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. We deeply promoted the supply side structural reform of the passenger transportation business, accelerated to optimize the structure of transportation capacities of “big, medium and small-sized” models of vehicles, focused on promote small-sized and multi-grades of operating vehicles, advanced the combination of big-sized vehicles with small-sized vehicles, replaced big-sized vehicles with small-sized vehicles, matched grades of vehicles with routes and practically reduce the operating costs. We planned to optimize the inter-city routes business, and put efforts on promoting the development of the integrated travel services business (including rural passenger transportation, urban public transportation, automobile leasing, charter coach, taxis and tourist travel business), striving for providing abundant travel services products. We strongly promoted the urban bus TC (transportation community) model, and cooperated with Zengcheng District of Guangzhou to develop the bus TC model at the end of this year. There has been an acceleration of reclaim of construct vehicles for self-operation was accelerated, and the operating model of passenger transportation integrated network was enhanced to practically improve service quality and reduce the risk of accidents.





## MANAGEMENT DISCUSSION AND ANALYSIS

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



The Group implemented the “Internet + Transportation” creative thinking actively. Guangdong Yueyun Development Co., Ltd., a subsidiary of the Company, has obtained the “Assessment Result on the Online Service Capability in relation to the Application for E-hailing Operations” (《申請從事網約車具備線上服務能力的認定結果》) for provision of nation-wide services, and successively obtained the licenses for online taxi booking business operation in 4 cities, including Guangzhou, Zhongshan, Heyuan and Shaoguan. The system functions of Yuexing (悅行) platform were further optimized to achieve the core of “travel with only one button”, whereby we designed and established online travel products in combination of ticketing with single network in the Guangdong province, urban e-hailing and urban customized travel, for the sake of improving user experience of online platform, and actively responded to the challenges from e-hailing with competitive strategy of product differentiation. The matrix marketing platform on the WeChat Public Platform was further collated, and the ticketing of Yueyun Transport and the WeChat Public Platforms of certain municipal passenger transportation companies was gradually connected for achieving user gathering. The growth of WeChat ticketing business was outstanding, value of tickets sold on WeChat amounted to RMB141 million, representing a year-on-year increase of 17.32%.

Through active participation in the construction of the integrated traffic and transportation network system in the Guangdong-Hong Kong-Macao Greater Bay Area, and successfully launched the operation of the Hong Kong-Zhuhai-Macao Bridge shuttle bus franchise project and achieved the expected economic benefits, 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 “4-in-1” integrated service station at passenger terminals. Further upgrading of passenger terminals into tourist gathering and distribution centers 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. We strengthen the co-operation with Alipay and Fliggy, as well as placement of additional 79 automated ticket machines in 8 municipal passenger transportation companies and 27 terminals. As at the end of 2018, we had totally placed 332 automated ticket machines in Guangdong province. The transaction volume amounted to 1.75 million and the transaction amount reached RMB86.3676 million, representing a year-on-year increase of 3.37 times and 2.73 times, respectively. We set up a smart terminal project in Meizhou Yueyun Vehicles Transportation Co., Ltd. as a trial so as to lay down the foundation for further study on promotion of smart terminal.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

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, its branding effect was further enhanced, and thus it was designated as a technical consulting partner unit by the Hong Kong-Zhuhai-Macao Bridge Authority. Endeavors were made to nurture the business of automobile after-sales service. By focusing on the demand for travel vehicles and leveraging on the brand advantages of Yueyun, and on the basis of the road rescue business, upstream and downstream extension was gradually achieved along the industrial chain to, among other things, driver training, automobile rental, vehicle repair and maintenance service and insurance, and thus the travel service integrated platform was more comprehensive.



### 2. Expressway Service Zones Operation

#### (1) Energy Business

Self-operated gas stations of “Yueyun Energy” were greatly developed as an important strategic measure of the Group to accelerate the change in the mode of development. In this year, the Group insisted on expanding the layout of gas station network on the basis of development of the new self-built gas stations in expressway service zones, and continued to implement the reclaim and self-operation strategy for contract-expired stations in expressway service zones. The business collaboration was strengthened through successful supply of petroleum to some passenger transportation companies of the Group through equipment and facilities in the skid-mounted stations and thus effectively reduced fuel costs of passenger transportation companies. As at the end of 2018, the Group built 6 gas stations in service zones, reclaimed 1 gas station for self-operate and there were 27 self-operated gas stations in aggregate. The sales of fuel for the whole year 2018 amounted to 81,297 tons, representing a year-on-year increase of 96%, of which, the fuel skid-mounted and distributed to passenger transportation companies of the Group amounted to 15,259 tons in total, representing a year-on-year increase of 122%.



## MANAGEMENT DISCUSSION AND ANALYSIS

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



The Group will steadily promote the establishment of the network of charging business in accordance with the business plans of charging piles, prioritize construction of inter-city power charging facilities 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 actively promote the interconnection between urban charging stations and social charging platforms for increasing the utilization rate of urban charging piles. As at the end of 2018, the Group built 39 charging stations for passenger transportation terminals, 491 charging piles, as well as built 65 charging stations in service zones and 226 charging piles.



**39** Charging Stations

for passenger transportation terminals

**491**

Charging Piles



**65** Charging Stations

in service zones

**226**

Charging Piles



**522**

Yueyun Loyee  
convenience stores

### (2) Convenience Stores Business

“Yueyun Loyee” convenience stores fully utilized the advantages of closed commercial district of expressway service zones, which steadily expanded scale of convenience stores as planned and consolidated and raised the market share of convenience stores in expressway service zones. We actively adjusted the expansion layout and paths of stores, fully leveraged on the platform and resources of GCGC for significantly expanding stores in living zones of expressway management centers, as well as attempted to launch “large distribution” service of customized quality merchandises and materials for customers of group buying in need. We further explored the development strategy of stores in urban commercial areas, which successively opened stores in Dongshankou commercial area in Guangzhou city, Jichanglu commercial area and T.I.T Creative Industry Zone, and ran the pilot “Community Life Supermarket” commercial model in Shidaiyuntu Community in Nansha. “4 in 1” terminal convenience stores operating model was optimized, including adjustment of types and display of merchandises dynamically, improvement of appraisal system for operating results, increasing incentives for staff, boosting service level of staff and implementing a flexible exit self-operation strategy for some of loss-making stores. In 2018, the Group operated 522 convenience stores, which constituted a retail chain operation network across the province.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

We enhanced the supply chain management capability and expanded the storage area of the master warehouse in Huadu. We leveraged on the import supply chain resources of Yuehuahui, a joint venture, to expand merchandise procurement channels and enrich types of merchandise. We cooperated to develop souvenirs with our own brand “Yiyoupin (驛優品)” and “Yuelexian (粵樂鮮)” for customized mid-to-high end Cantonese premium specialties, which were promoted and marketed through stores in service zones. We highly valued the brand promotion of Loyee convenience stores and strived to expand its brand value.

### (3) Merchant Solicitation Business

Benefitting from the favorable impact of state-owned enterprise reforms in the Guangdong Province, the scale of service network of the Group has been expanding. As at the end of 2018, the Group owned 290 service zones with operating right, and 283 operated service zones, representing a year-on-year increase of 73 service zones. The innovative service zone adopted the operation model of self-planning, self-investment and construction, and commercial development to actively promote the “Qiaoxiang Township” (橋鄉小鎮) thematic expansion project in Dahuai carpark zone, which introduced featured projects such as Qiaoxiang Township, Flying Square and Rescue in the Sky and flagship stores such as Starbucks. Qiaoxiang Township is positioned and established as a brand-new culture, commercial and travel experiences in expressways, which was put into trial operation on 1 February 2019, and the Group is committed to establish it as a demonstration benchmark service zone nationwide. Meanwhile, we completed the upgrading and transformation projects in 4 service

zones in Lixi, Dianbai, Baisha and Houmen, which established featured service zones accommodated to the local conditions. We established the first Chinese car-owner service center in Shunde service zone, which provides butler-style VIP service for various car owners to travel through expressways. We also introduced featured car-owner service center projects such as Guangdong Junyu Vehicles Service Co., Ltd. (廣東駿譽汽車服務有限公司), which further optimizes the value of commercial platform in service zones. Consumption upgrading was actively encouraged, consumption scenarios in service zones were continuously optimized with the aims of “green” and “clean” in operating service zones, the public service functions were greatly improved, “Toilet Revolution” was firmly enforced, plantation of greenery was increased to enhance environmental landscaping. The environment and hygiene of service zones were rectified comprehensively, insufficient water supply in certain service zones were effectively improved, and free WI-FI were gradually established in service zones. We enforced the pilot establishment of “Driver’s Home (司機之家)”, and “Driver’s Home” in 8 expressway service zones in Guangdong province were firstly put into trial operation, which actively fulfills our social responsibility as a state-owned enterprise. The property management level in service zones were improved, the labor model was innovated, the incentive system and the operating model were managed differentially. 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### (4) Expressway Media Business

The Group actively converted Guangdong Highway Media Co., Ltd. (廣東省高速傳媒有限公司), a subsidiary of the Company, from a traditional outdoor self-owned advertising media agency to an operator of integrated platform of media resources in transportation system. Breakthrough in the bottleneck in policy of advertisement resources and development and establishment of non-expressway sign advertisement facilities under the sections of GCGC were achieved, and the integrated media of toll stations was utilized comprehensively. As at the end of 2018, there were 516 resources in aggregate. We have gradually achieved direct marketing and channel businesses side by side, continued to expand direct marketing customers, strived to raise value of channel, innovatively integrated sales models, improved design and planning capabilities and external sales of advertisement resources, and thus formulated a mechanism with benign competition. We effectively solved the accounts receivable risks and established a value-added business oriented incentive commission plan, which provides protection for our business development.

### 3. Operation of Taiping Interchange Assets

At the end of 2018, the total traffic volume at the Taiping Interchange reached 44,437,600 vehicles, the daily average traffic volume was 121,700 vehicles, representing a year-on-year increase of 2.77%, reaching a record high of traffic volume.

## MATERIAL LOGISTICS SEGMENT

The Group completed the asset swap of South China Logistics Enterprise Group in this year. We steadily performed the completion of material supply inventory business subject to controllable risks.



## FINANCIAL REVIEW

### (DATA OF 2017 RESTATED)

#### THE GROUP'S ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

For the year ended 31 December 2018, operating income of the Group amounted to RMB6,295,211,000 (2017: RMB7,544,012,000), representing a year-on-year decrease of RMB1,248,801,000 or 17%; gross profit amounted to RMB1,076,006,000 (2017: RMB1,452,270,000), representing a year-on-year decrease of RMB376,264,000 or 26%.

For the year ended 31 December 2018, the Group realized net profit of RMB379,133,000 (2017: RMB539,582,000), representing a year-on-year decrease of RMB160,449,000 or 30%; net profit attributable to shareholders of the Company was RMB327,386,000 (2017: RMB428,560,000), representing a year-on-year decrease of RMB101,174,000 or 24%; basic earnings per share was RMB0.41 (2017: RMB0.54 per share), representing a year-on-year decrease of RMB0.13 or 24%.

The year-on-year decrease in the said operation result data for 2018 was mainly due to 1. increase in the restated 2017 operation result compare to the operation result disclosed in 2017 annual report due to the implementation of new Accounting Standards for Business Enterprises and acquisition of Meizhou Yueyun Group, among which, restated net profit attributable to the shareholders of the Company increase by RMB11,280,000 than before; 2. year-on-year decrease in the operation result in material logistics business due to the disposal of South China Logistics Enterprise Group during the period. If excluding the effect of the disposal of South China Logistics Enterprise Group, the revenue would have increased by RMB 356,942,000 or 6% on the same basis, net profit attributable to the shareholders of the Company would have decreased by RMB50,664,000 or 14% on year-

on-year basis; 3. increase in depreciation and amortization changes as a result of purchase of new energy pure electric vehicles for transformation and upgrade of service driven by road passenger transportation and auxiliary services, and the corresponding government grants were accounted as "Other Income", which in turn results in the year-on-year decrease of gross profit in road passenger transportation and auxiliary services; and 4. increase in the year-on-year cost of construction projects and wages due to general renovation and upgrade of the washrooms at service zones and passenger terminals of the Group in response to the country's call for "Toilet Revolution".

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 ("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 previous 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 2017 was reduced by RMB6,310,000, the year-end shareholders' equity of the Group for 2017 was reduced by RMB45,666,000 and the year-end total assets of the Group for 2017 was reduced by RMB45,666,000. 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 169 to 172 of this annual report.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### SEGMENT INFORMATION

#### OPERATING INCOME

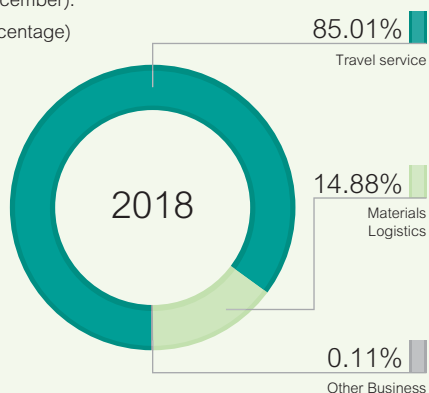
Operating income of the Group for 2018 was mainly derived from the business segment of travel service. Operating income of the Group for 2018 amounted to RMB6,295,211,000 (2017: RMB7,544,012,000), representing a year-on-year decrease of RMB1,248,801,000 or 17%.

Operating income by business segments (for the year ended 31 December):

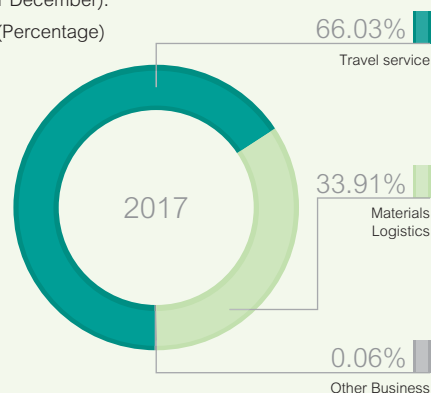
	2018		2017	
	RMB' 000	Percentage	RMB' 000	Percentage
Travel Service	5,351,387	85.01%	4,981,282	66.03%
Materials Logistics	936,922	14.88%	2,558,455	33.91%
Other Business	6,902	0.11%	4,275	0.06%
Total	6,295,211	100.00%	7,544,012	100.00%

#### Operating income by business segments

(as of 31 December):  
2018 (Percentage)



(as of 31 December):  
2017 (Percentage)



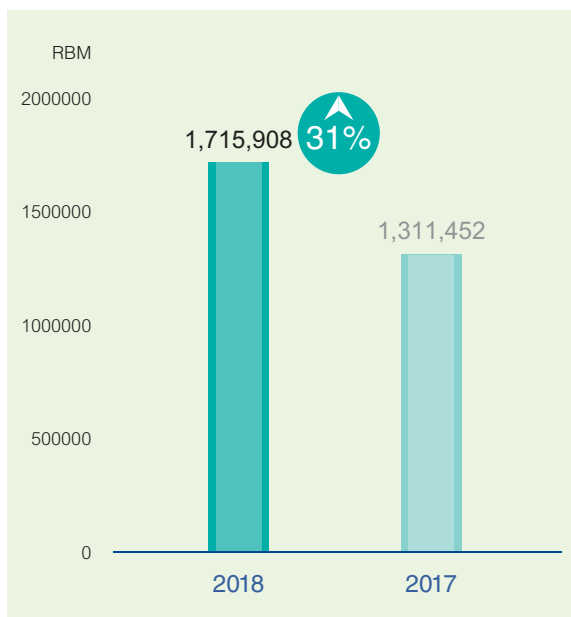
## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 1. Travel Service

Travel service segment is a key source of the Group's operating income, the operating income, which amounted to RMB5,351,387,000 in 2018 (2017: RMB4,981,282,000), representing a year-on-year increase of RMB370,105,000, or 7%, and accounting for approximately 85.01% (2017: 66.03%) of the Group's total operating income, of which:

- (1) The road passenger transportation and auxiliary services recorded operating income of RMB3,415,460,000 in 2018 (2017: RMB3,456,703,000), representing a year-on-year decrease of RMB41,243,000 or 1%.
- (2) The operating business of service zones recorded operating income of RMB1,715,908,000 in 2018 (2017: RMB1,311,452,000), representing a year-on-year increase of RMB404,456,000 or 31%, which was mainly attributable to the year-on-year increase in the number of self-operated gas stations and service zones.



- a) The energy business generated operating income of RMB917,278,000 in 2018 (2017: RMB616,149,000), representing a year-on-year increase of RMB301,129,000 or 49%, which was mainly due to a year-on-year increase in income from self-operated gas stations in new expressway service zones.
  - b) The convenience store retail business generated an operating income of RMB453,453,000 in 2018 (2017: RMB385,575,000), representing a year-on-year increase of RMB67,878,000 or 18%, which was mainly due to a year-on-year increase in the number of Loyee convenience stores.
  - c) The merchant solicitation business generated an operating income of RMB245,732,000 in 2018 (2017: RMB228,488,000), representing a year-on-year increase of RMB17,244,000 or 8%, which was mainly due to revenue from business in new service zones.
  - d) The advertising media business generated an operating income of approximately RMB99,445,000 in 2018 (2017: RMB81,240,000), representing a year-on-year increase of RMB18,205,000 or 22%, which was mainly due to the year-on-year increase in income derived from column resources.
- (3) The operation of Taiping Interchange assets generated an operating income of approximately RMB220,019,000 in 2018 (2017: RMB213,127,000), representing a year-on-year increase of RMB6,892,000 or 3%.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 2. Materials Logistics

Material logistics segment generated an operating income of RMB936,922,000 (2017: RMB2,558,455,000) in 2018, representing a year-on-year decrease of RMB1,621,533,000 or 63% as compared to 2017, accounting for approximately 14.88% of the Group's total operating income (2017: 33.91%). The decrease in operating income was mainly due to the disposal of South China Logistics Enterprise Group.

## GROSS PROFIT

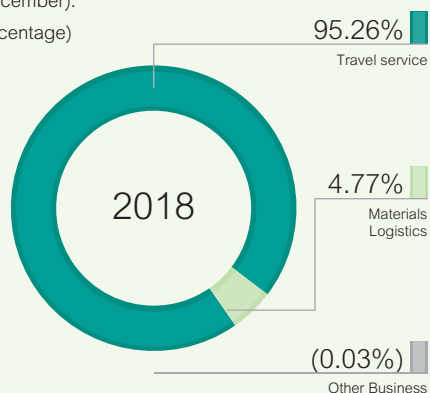
The gross profit of the Group recorded in 2018 was RMB1,076,006,000 (2017: RMB1,452,270,000), representing a decrease of RMB376,264,000, or 26%, as compared to 2017, the gross profit margin was 17% (2017: 19%).

Gross profit by business segments:

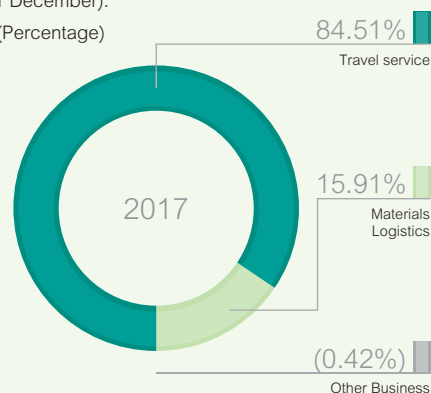
	For the year ended 31 December 2018		For the year ended 31 December 2017	
	RMB' 000	Percentage	RMB' 000	Percentage
Travel Services	1,025,012	95.26%	1,227,369	84.51%
Materials Logistics	51,368	4.77%	231,125	15.91%
Other Business	(374)	(0.03)%	(6,224)	(0.42)%
Total	1,076,006	100.00%	1,452,270	100.00%

### Gross profit by business segments

(as of 31 December):  
2018 (Percentage)



(as of 31 December):  
2017 (Percentage)



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 1. Travel Service

The travel services segment recorded gross profit of RMB1,025,012,000 in 2018 (2017: RMB1,227,369,000), representing a decrease of RMB202,357,000 or 16% as compared to the corresponding period in 2017, the gross profit margin was 19% (2017: 25%), of which:

- (1) Road passenger transportation and auxiliary services generated gross profit of RMB549,209,000 in 2018 (2017: RMB769,507,000), representing a year-on-year decrease of RMB220,298,000, or 29%. Gross profit margin was 16% (2017: 22%) for the year. The decrease in gross profit and gross profit margin was mainly due to the increase in cost of depreciation and amortization as a result of purchase of new energy pure electric vehicles for transformation and upgrade of service. The government grants received corresponding to operating income of RMB198,819,000 (2017: RMB114,996,000) and the asset related subsidies amortized and charged to profit or loss corresponding to the useful life of assets such as vehicle of RMB46,780,000 (2017: RMB57,764,000) were both accounted as "Other Income". After the restoration of subsidies, the gross profit for the year was RMB794,808,000 (2017: RMB942,267,000) and the corresponding gross profit margin was 22% (2017: 27%).



- (2) The business of service zones recorded a gross profit of RMB291,509,000 in 2018 (2017: RMB285,685,000), representing a year-on-year increase of RMB5,824,000 or 2%, and the gross profit margin was 17% (2017: 22%). The change in gross profit and gross profit margin was due to, on one hand, the increase in income and gross profit as a result of increased scale of service zones and the change in the operation model of the energy business, and on the other hand, a year-on-year increase in construction and labor costs as a result of the overall upgrading of toilets in service zones.



- a) The energy business generated a gross profit of RMB150,986,000 (2017: RMB86,923,000) from the purchase and sale of self-operated energy in 2018, representing a year-on-year increase of RMB64,063,000 or 74%. The gross profit margin of 20% from purchase and sale remained at the forefront of the industry. However, given the impact of amortizing, a year-on-year decrease in the one-time compensation of gross profit for six outsourced stations and an increase in public management cost, the overall gross profit of the business amounted to RMB103,960,000 (2017: RMB143,002,000), representing a year-on-year decrease of RMB39,042,000 or 27%. The gross profit margin was 11% (2017: 23%).

## MANAGEMENT DISCUSSION AND ANALYSIS

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

- b) The retail business of convenience stores generated a gross profit of RMB78,544,000 in 2018 (2017: RMB60,243,000), representing an increase of RMB18,301,000 or 30%. The increase in gross profit was mainly due to the increase in operating income as a result of a year-on-year increase in the number of convenience stores. The gross profit margin was 17% (2017: 16%).
  - c) The merchant solicitation business generated a gross profit of RMB62,043,000 in 2018 (2017: RMB45,883,000), representing an increase of RMB16,520,000 or 36%, which was mainly due to a year-on-year increase in income from merchant solicitation. Gross profit margin was 25% (2017: 20%). The year-on-year increase in gross profit margin was mainly due to a year-on-year increase in income from merchant solicitation and the extent of increase in cost of merchant solicitation business was under control as a result of scale of economy.
  - d) The advertising media business generated a gross profit of RMB46,602,000 in 2018 (2017: RMB36,557,000), representing a year-on-year increase of RMB10,045,000 or 27%, which was mainly due to a year-on-year increase in income. The gross profit margin was 47% (2017: 45%).
- (3) The operation of assets at the Taiping Interchange generated a gross profit of RMB184,294,000 in 2018 (2017: RMB172,177,000), representing an increase of RMB12,117,000 or 7%, which was mainly due to a year-on-year increase in operating income. The gross profit margin was 84% (2017: 81%). The increase in gross profit margin was mainly due to a year-on-year increase in operating income.

### 2. *Materials Logistics*

The materials logistics segment generated a gross profit of RMB51,368,000 in 2018 (2017: RMB231,125,000), representing a decrease of RMB179,757,000 or 78% as compared to the corresponding period in 2017, the gross profit margin was 5% (2017: 9%). The decrease in gross profit was mainly due to the disposal of South China Logistics Enterprise Group during the period and a year-on-year decrease in gross profit as a result of decrease in supply.

## TAX AND SURCHARGES

The amount of tax and surcharges in 2018 was RMB47,183,000 (2017: RMB56,172,000), representing a year-on-year decrease of RMB8,989,000 or 16%.

## SELLING EXPENSES

In 2018, the Group incurred a total selling expenses of RMB65,438,000 (2017: RMB88,883,000), representing a year-on-year decrease of RMB23,445,000 or 26%, which was mainly due to the disposal of South China Logistics Enterprise Group during the year.

## ADMINISTRATIVE AND R&D EXPENSES

In 2018, the Group incurred a total administrative and R&D expenses of RMB680,663,000 (2017: RMB723,759,000), representing a year-on-year decrease of RMB43,096,000 or 6%.

## FINANCE EXPENSES

Finance expenses incurred in 2018 amounted to RMB64,643,000 (2017: RMB58,769,000), representing a year-on-year increase of RMB5,874,000 or 10%, which was mainly due to the increase of RMB218 million in interest-bearing liabilities as of 31 December 2018 as compared to last year.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### IMPAIRMENT LOSSES OF ASSETS

Impairment losses of assets in 2018 was RMB5,952,000 (2017: RMB10,994,000), representing a year-on-year decrease of RMB5,042,000 or 46% in impairment losses of assets, which was mainly due to the increase in the Group's provisions for impairment in the previous year in view of the condition of individual asset.

### REVERSAL/(ACCRUAL) OF CREDIT LOSSES

Reversal of credit losses in 2018 was RMB20,888,000 (2017: credit impairment losses of RMB21,339,000), representing a year-on-year net decrease of RMB42,227,000 or 198% in credit impairment losses, which was mainly due to the amount in respect of credit impairment losses provided previously being recovered by the Group.

### OTHER INCOME

Other income derived in 2018 amounted to RMB245,599,000 (2017: RMB172,760,000), representing a year-on-year increase of RMB72,839,000 or 42%, which was mainly due to the increase in government subsidies as compared with the same period of last year.

### INVESTMENT INCOME

Investment income derived in 2018 amounted to RMB33,997,000 (2017: RMB47,206,000), representing a year-on-year decrease of RMB13,209,000 or 28%, which was mainly due to the impact of a year-on-year decrease in the net profit for 2018 of RMB38,689,000 from the Southern United Assets & Equity Exchange Co., Ltd. (南方聯合交易中心有限公司), an associate of the Group.

### GAINS ON DISPOSAL OF ASSETS

Gains on disposal of assets in 2018 amounted to RMB14,450,000 (2017: RMB258,000), representing an increase of RMB14,192,000 or 5,501%, which was mainly the impact of a year-on-year increase in disposal of fixed assets for the year.

### NON-OPERATING INCOME AND EXPENDITURE

The net amount of non-operating income and expenditure in 2018 incurred a net income of RMB1,326,000 (2017: net income of RMB9,927,000), representing a year-on-year decrease in net income of RMB8,601,000 or 87%, which was mainly due to a year-on-year decrease of non-recurring government subsidies.

### LIQUIDITY AND CAPITAL STRUCTURE

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards the use of funds. The Group satisfied its requirements for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group fully leveraged on the favorable interest rate environment of the bond market to optimize its financial structure and lower overall financial costs through comparatively low cost financial channels. The Group enhanced capital allocation through the operation of cash pooling, in order to effectively reduce the need for external borrowings and increase the efficiency of capital utilization. Benefitting from the strict budget controls towards the funds of the Group and the improvements on the financial structure of the Group, at the end of 2018, the balance of available bank facilities of the Group amounted to RMB4,824,660,000 and net cash inflow from operations at the end of the period amounted to RMB434,908,000, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

Items	As of 31 December 2018 RMB' 000	As of 31 December 2017 RMB' 000
Borrowings	2,006,365	1,783,593
Less: Cash and cash equivalents	1,114,272	1,857,779
Net debt	892,093	(74,186)
Total liabilities	4,922,745	5,505,387
Total equity attributable to shareholders	3,533,564	3,678,240
Total equity	4,425,657	3,604,054
Total assets	8,456,309	9,183,627
Gearing ratio	20.16%	(2.06%)
Asset to liability ratio	58.21%	59.95%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total equity attributable to shareholders

Asset to liability ratio = Total liabilities/Total assets

## CASH FLOWS

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

	For the year ended 31 December		
	2018 RMB' 000	2017 RMB' 000	Change RMB' 000
<b>Cash generated from/(used in)</b>			
Operating activities	434,908	741,779	(306,871)
Investing activities	(1,247,051)	(719,256)	(527,795)
Financing activities	63,756	184,959	(121,203)

## OPERATING ACTIVITIES

The Group's net cash inflow from operating activities amounted to RMB434,908,000 during 2018 (2017: net cash inflow of RMB741,779,000), representing a year-on-year decrease of net cash inflow by RMB306,871,000, which was mainly attributable to a decrease in income from the material logistics business and the road passenger transportation and auxiliary service business.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### INVESTING ACTIVITIES

The net cash outflow from investing activities during 2018 was RMB1,247,051,000 (2017: net cash outflow of RMB719,256,000), representing a year-on-year increase in net cash outflow by RMB527,795,000, which was mainly attributable to 1. an increase in acquisition and construction expenditures of RMB160,890,000 for service zones and self-operating gas stations; and 2. a year-on-year increase in acquisition and construction expenses of RMB267,447,000 due to the need for replacement of new energy pure electric vehicles for TC Business.

### FINANCING ACTIVITIES

The net cash inflow from financing activities during 2018 was RMB63,756,000 (2017: net cash inflow of RMB184,959,000), representing a year-on-year decrease of RMB121,203,000, which was mainly due to a year-on-year increase in the repayments of borrowings.

### BORROWINGS

As of 31 December 2018, outstanding borrowings of the Group amounted to RMB2,006,365,000 (31 December 2017: RMB1,783,593,000), comprising (i) unsecured short-term loans of RMB80,000,000 (31 December 2017: RMB161,000,000); (ii) secured short-term loans of 29,800,000 (31 December 2017: RMB5,000,000); (iii) short-term loans secured by letter of credit of nil (31 December 2017: RMB51,807,000); (iv) secured long-term loans of RMB252,659,000 (31 December 2017: RMB168,301,000); (v) unsecured long-term loans of RMB693,237,000 (31 December 2017: RMB461,462,000); (vi) finance lease payable of RMB214,330,000 (31 December 2017: RMB160,712,000); and (vii) bonds payable of RMB736,340,000 (31 December 2017: RMB775,311,000). As of 31 December 2018, the majority of the Group's borrowings were denominated in RMB and were subject to floating or fixed interest rates, of which borrowings with fixed interest rate accounted for approximately 62%.

### MAJOR ACQUISITIONS AND ESTABLISHMENT OF NEW COMPANIES

For the year ended 31 December 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 Meizhou Yueyun Group. The Group also invested in the establishment of two new companies, 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) and Shaoguan City Guangshao Passenger Transport Co., Ltd. (韶關市廣韶客運有限公司). The Group had total investments of RMB11,730,000 in the new companies.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### MAJOR PROPERTIES HELD FOR INVESTMENT

Set out below are the major properties held for investment by the Group as at 31 December 2018

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, the PRC	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, Hang On Building, 159A Sai Yeung Choi Street North, Mongkok, Kowloon	Underground Shop, Hang On Building, 159A Sai Yeung Choi Street North, Mongkok, Kowloon, Hong Kong	Operating lease	Short-term (within 10 years)
Apartment of Drivers	Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City, the PRC	Operating lease	Short-term (within 10 years)
Passenger Traffic Center Building in Lianzhou	No. 136, Beihu Road, Lianzhou, the PRC	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, the PRC	Operating lease	Short-term (within 10 years)

### PLEDGE OF ASSETS

As at 31 December 2018, fixed assets at the net value of approximately RMB183,373,000 (31 December 2017: RMB252,735,000) and land use rights at the net value of RMB172,322,000 (31 December 2017: RMB128,336,000) of the Group were pledged as security for bank borrowings. Investment properties at the net value of approximately RMB21,607,000 of the Group were used as collaterals for bank borrowings (31 December 2017: RMB22,393,000).

### FOREIGN EXCHANGE RISK AND HEDGING

Most of the operating income and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure related to cross-border transportation services. In 2018, the impact of exchange rate fluctuations on the working capital and liquidity of the Group was relatively small. The Directors believe that the Group has sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### CONTINGENT LIABILITIES

As of 31 December 2018, the Group had no contingent liabilities.

### POTENTIAL RISK EXPOSURE

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

Major risks faced by the Group include:

#### 1. *Competition from other modes of transportation*

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

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

#### 2. *Fluctuations of fuel oil prices*

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

### 3. *Operation safety*

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

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

### 4. *Inclement weather and natural disasters*

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

### 5. *Policy risk*

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

### 6. *Operational risk*

The Taiping Interchange is a transportation hub connecting the Humen Bridge and Guangzhou-Shenzhen Expressway. However, with the establishment of the Nansha Bridge (the former Humen Second Bridge), the Shenzhen-Zhongshan Bridge, the Lotus Mountain Tunnel and other tunnels connecting the eastern and western sides of Pearl River, at the upper and lower reaches of the Pearl River in the future, part of the traffic between Western Guangdong, such as Zhongshan, Zhuhai, and Eastern Guangdong, such as Shenzhen, Dongguan, which originally travelled through the Humen Bridge, will be diverted to the Nansha Bridge (the former Humen Second Bridge), the Shenzhen-Zhongshan Bridge, etc., resulting in traffic diversion of the Taiping Interchange. In addition, if the economic environment volatiles substantially, or an overhaul for maintenance are conducted for the Humen Bridge and the related sections of the expressway, or the toll standard rates and charging method of the Humen Bridge and the Taiping Interchange change, the traffic of the Taiping Interchange will be affected, which in turn will affect its toll revenue.

## SIGNIFICANT INVESTMENT PLANS IN 2019

For significant investment and business development plans in 2019, please refer to Chairman's Statement in this annual report. The financing arrangements required by the Group will be obtained through various means such as self-organized financing and bank loans.

# FIVE-YEAR FINANCIAL SUMMARY

(Amounts are presented in RMB'000)

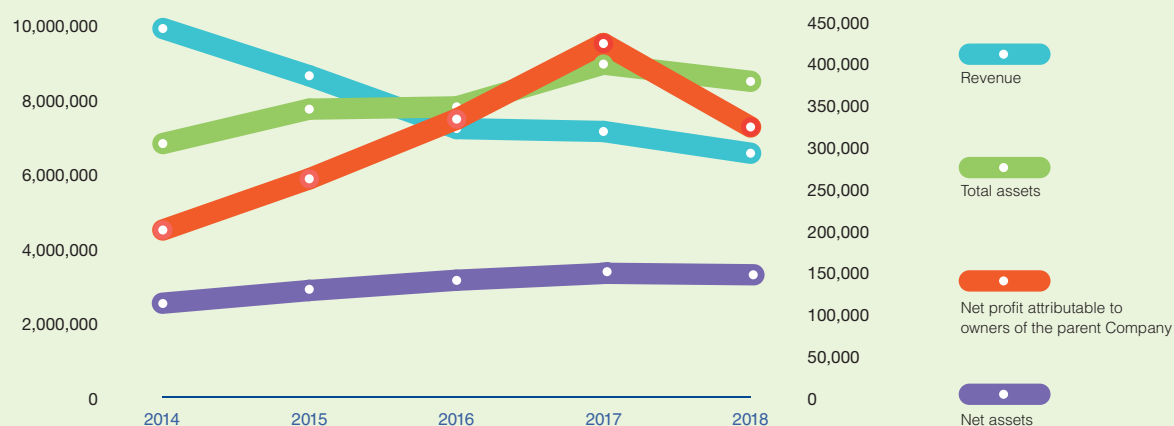
For the year ended 31 December	2018	2017 (restated)	2016 (restated)	2015 (restated)	2014
Operating income	<b>6,295,211</b>	7,544,012	7,628,557	8,990,740	9,878,072
Total profit	<b>528,387</b>	722,506	679,443	531,816	420,688
Income tax expenses	<b>149,254</b>	182,924	168,009	164,817	127,099
Net profit	<b>379,133</b>	539,582	511,434	366,999	293,589
Net profit attributable to shareholders of the parent company	<b>327,386</b>	428,560	389,680	271,042	202,796
Profit and loss attributable to minority interests	<b>51,747</b>	111,022	121,754	95,957	90,793

## ASSET AND LIABILITIES

As at 31 December	2018	2017 (restated)	2016 (restated)	2015 (restated)	2014
Total assets	<b>8,456,309</b>	9,183,627	8,053,574	7,941,181	6,753,080
Total liabilities	<b>4,922,745</b>	5,505,387	4,567,538	4,796,980	4,041,177
Net assets	<b>3,533,564</b>	3,678,240	3,486,036	3,144,201	2,711,903

## 5 Years Financial Summary

(Amount stated in RMB'000)



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



(From the left: Zhang Dongsheng, Wen Wu, Du Zhuocai, Cao Zhiying, Xuan Zongmin, Tang Yinghai, Rao Fengsheng, Yao Hanxiong, Zheng Siyuan, Liu Wanneng)

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

## DIRECTORS

As at the date of this report, the Company has 5 executive Directors, 2 non-executive Directors and 4 independent non-executive Directors.

## EXECUTIVE DIRECTORS

**Mr. Xuan Zongmin (禰宗民)**, aged 58, is the secretary of the party committee, an executive Director and Chairman of the Board of the Company. He also serves as a director and the chairman of Guangdong Vehicles Transportation Group Company Limited (**"GVTG"**) (a subsidiary of the Company), Guangdong Roadnet Innovalues Media Information Technology Co., Ltd. (廣東路網數媒信息科技有限公司) (a subsidiary of the Company), the chairman of Guangdong Traffic and Transport Association (廣東省城市公共交通協會) and the deputy chairman of the Standing Committee of Guangdong Province Road Transportation Association (廣東省道路運輸協會). Mr. Xuan has served as a nonexecutive Director since June 2012 and was re-designated as an executive Director on December 2012. He was appointed as the general manager of the Company in November 2012 and re-designated as

the chairman of the Board with effect from March 2014. Mr. Xuan also served as a non-executive Director of the Company from January 2001 to December 2004. Mr. Xuan served as a director and the general manager of GVTG from April 2004 to June 2014. Other major work experience of Mr. Xuan includes, among others, serving as the deputy chief of secretary section and chief of information section of the Department of Communications of Guangdong Province (廣東省交通廳), and served successively as the assistant to the general manager, the deputy general manager, a director and the general manager of Weisheng Transportation & Enterprises Company Limited (威盛運輸企業有限公司). Mr. Xuan obtained an MBA degree from the Murdoch University in Australia. He possesses professional qualification as a senior political worker.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Tang Yinghai (湯英海)**, aged 50, is the vice secretary of the party committee, an executive Director and the general manager of the Company. He also serves as a director and the general manager of GVTG and a director and the chairman of Guangdong Top-E Expressway Service Zone Company Limited ("Guangdong Top-E"). Mr. Tang has served as a non-executive Director since June 2012 and re-designated as an executive Director on December 2012. He was appointed as the deputy general manager of the Company in November 2012 and redesignated as the general manager with effect from March 2014. Mr. Tang served successively as the deputy manager and the manager of accounting department, a director and the chief accountant of The Motor Transport Company of Guangdong and Hong Kong Limited ("GD-HK Company") from June 1998 to July 2005; he served as the chief accountant and the deputy general manager of GVTG from July 2005 to June 2014. Other major work experience of Mr. Tang includes, among others, working for the Highway Construction Office of the Guangdong Province (廣東省公路工程處), and the accountant and deputy supervisor of the Department of Communications of Guangdong Province (廣東省交通廳). Mr. Tang graduated with a master degree in law from Renmin University of China (中國人民大學) and EMBA from South China University of Technology (華南理工大學). He possesses professional qualification as a senior accountant.

**Mr. Yao Hanxiong (姚漢雄)**, aged 53, is a member of the party committee, an executive Director and the deputy general manager of the Company, as well as an executive director of Guangdong Provincial Expressway Development Association (廣東省高速公路發展促進會). Mr. Yao has served as an executive Director since December 2012 and the deputy general manager of the Company since October 2007. Other major work experience of Mr. Yao includes, among others, serving as the deputy manager and the manager of the second branch office of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限公司第二分公司), and a director and the deputy general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路建設集團有限公司). From 2002 to 2005, Mr. Yao was designated by the Organization Department of the Guangdong Provincial Party Committee to serve temporarily as the deputy chief executive (presiding over science and technology) of Deqing County, Zhaoqing City. Mr. Yao obtained a bachelor degree in road and bridge engineering from Chongqing Jiaotong University (重慶交通學院), and holds an executive master degree in business administration (EMBA) from Jinan University (暨南大學). He has the professional qualification of senior engineer for roads and bridges.

**Mr. Guo Junfa (郭俊發)**, aged 55, is an executive Director. Mr. Guo is currently the head of the supervision and audit department of GCGC. Mr. Guo has served as an executive Director since December 2012. He also served as an executive Director from June 2007 to December 2007. Mr. Guo served as a director and the general manager of GD-HK Company (a subsidiary of the Company) from August 2005 to December 2018. He is also a director and the chairman of the board of several subsidiaries of the Company (including GD-HK Company, Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Guangzhou) (廣東粵利佳客運有限公司 (廣州)) and Guangdong Yue Li Jia Passenger Transport Co., Ltd. (Hong Kong) (廣東粵利佳客運有限公司 (香港)) and he also served as a director of Gang Tong (HK) Motor Transport Company Limited (a subsidiary of the Company). Other major work experience of Mr. Guo includes, among others, serving as director of the Technology Education Division of the Department of Communications of Guangdong Province (廣東省交通廳科技教育處處長), director of the Foreign Economic Division of the Department of Communications of Guangdong Province and the director of the Loan Office of World Bank of the Department of Communications of Guangdong Province (廣東省交通廳世界銀行貸款辦公室主任). Mr. Guo holds an executive master degree in business administration (EMBA) from the South China University of Technology (華南理工大學). He was selected and sent overseas to the University of British Columbia of Canada by the relevant department of Guangdong Province in 2003 to study the MPA course for a year.

**Mr. Wen Wu (文 忤)**, aged 48, is a member of Party Committee and chief accountant of the Company. Mr. Wen has worked for the Company since April 2015. Amongst his other major working experiences, he successively served as the technician of Guangdong Food Industry Corporation (廣東省食品工業總公司), the accountant of finance and audit department and deputy department director of Guangdong Communication Enterprise Investment Company Limited (廣東交通實業投資有限公司) (concurrently served as chief accountant of Guangdong Yang-Mao Expressway Company Limited (廣東陽茂高速公路有限公司)) as well as the director of the finance management department, secretary of board of directors, employee director and vice chief accountant of Guangdong Communication Enterprise Investment Company Limited. Mr. Wen graduated from Jinan University (暨南大學) with a bachelor degree of science in food chemistry and a master degree of business administration respectively and possesses the professional qualifications of a senior accountant and economist.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### NON-EXECUTIVE DIRECTORS

**Mr. Li Bin (李斌)**, aged 50, is a non-executive Director. He is currently a director and a general manager of Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司). Mr. Li has served as a non-executive Director since December 2012. He served as a director of GVTG from December 2009 to June 2014. Mr. Li has served successively as the executive staff of the general affairs department and the investment management department, the deputy head of the strategic development department and as the head of the strategic development department of GCGC from 2004 to 2018. Since 2005, Mr. Li was seconded three times to Guangdong Province SASAC to participate in the drafting of the Opinion on Deepening State-owned Enterprise Reform (深化國企改革的意見) document formulated by the Guangdong Provincial Party Committee and provincial government, and acted as the team leader of promotion of state-owned enterprise system reform expert team of Guangdong Province and provincial government for several times. Other major past working experiences of Mr. Li include, among others, serving as the deputy manager of the operation department and chief of the information center and the communist party working group of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建设集團有限公司); a lecturer in computer science at the Guangdong Communications Polytechnic (廣東交通職業技術學院), and is currently a visiting professor of Guangdong Communications Polytechnic. Mr. Li graduated from South China Normal University (華南師範大學) with a bachelor degree in computer science. He also graduated from the Guangdong University of Technology (廣東工業大學) with a bachelor degree in highway and urban road major. He studied the Business Administration Graduate Seminar Course offered by Jinan University, and obtained qualifications as a senior engineer and a senior economist.

**Mr. Chen Min (陳敏)**, aged 55, is a non-executive Director, currently serving as the head of the legal affairs department of GCGC, as well as the director of Guangdong Province Communications Planning & Design Institute Co., Ltd (廣東省交通規劃設計研究院股份有限公司, an associate of GCGC) and Guangdong Provincial Expressway Development Co., Ltd. (廣東省高速公路發展股份有限公司, “Guangdong Expressway”, a subsidiary of GCGC, a company listed on the Shenzhen Stock Exchange, A share stock code 000429, B share stock code 200429). Mr. Chen served as the deputy general manager of the Company from September 2009 to June 2011. Other major past working experiences of Mr. Chen include, among

others: contract team leader of the General Contracting Group of Guang Shen Zhu Expressway (廣深珠高速公路總承包集團); manager of engineering department, deputy chief economist and chief economist of Guangdong Highway Engineering Construction Group Co., Ltd. (廣東省公路工程建设集團有限公司); director, deputy general manager, chief economist and general manager of Guangdong Gaintop Highway Engineering Construction Group Co., Ltd. (廣東晶通公路工程建设集團有限公司). During the period from 2011 to 2014, he served as the deputy head of the legal affairs department of GCGC. Mr. Chen graduated from Changsha Jiaotong College (長沙交通學院) majoring in highway and city road and obtained a bachelor’s degree of engineering. Mr. Chen also holds a qualification certificate of legal adviser to enterprises and possesses qualifications as a senior economist as well as cost engineer.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Jin Wenzhou (靳文舟)**, aged 58, is an independent non-executive Director. Mr. Jin has long been engaged in teaching and research work of transportation engineering, and he is currently a professor and PhD Supervisor of transportation engineering at Civil and Transportation of South China University of Technology, and the team leader of the Transportation Planning and Management Academic Team at South China University of Technology. From 1985 to 1999, Mr. Jin taught at Jilin University of Technology, during which, from 1996 to 1997, Mr. Jin was a senior visiting scholar at the Transportation Research Center at the University of London. Mr. Jin then began teaching at South China University of Technology in 1999 and was appointed to his current post as professor in 2001. Mr. Jin was also the former head of transportation department at Jilin University of Technology and the vice president of School of Civil and Transportation Engineering, South China University of Technology. Mr. Jin also holds the following posts: expert member of Guangdong Province Government Policy Advisory Board (廣東省政府決策諮詢顧問委員會), supervisor of the Transportation Association of Guangdong Province (廣東省交通運輸協會), member of experts committee of Guangdong Traffic and Transport Association (廣東省城市公共交通協會). Mr. Jin graduated from Jilin University with a master’s degree of science in probability and statistics and further received a PhD degree in transport management engineering from Jilin University of Technology.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Ms. Lu Zhenghua (陸正華)**, aged 56, is an independent non-executive Director. Ms. Lu was an independent Supervisor from June 2012 to June 2016. Currently, she is an associate professor and postgraduate master tutor of the School of Business Administration of South China University of Technology. Ms. Lu acted as a teaching assistant and a lecturer of the Economics and Management Department of East China Jiaotong University. Ms. Lu holds a master degree in economics from the Finance Department of Jinan University majoring in money and banking, and has obtained a Doctor of Philosophy degree in Business Management from the Faculty of Administration and Management of the Macau University of Science and Technology. Ms. Lu is a member of The Chinese Institute of Certified Public Accountants. She has participated in formulating, and has provided advice and opinions on the financial operation systems and listing financing plans of various companies. Ms. Lu is currently an independent director of Guangdong Guangxin Information Industry Holding Co., Ltd. (廣東廣新信息產業股份有限公司, a company listed on the New Third Board, stock code: 831813), Guangzhou Hi-target Navigation Tech Co., Ltd. (廣州中海達衛星導航技術股份有限公司, a company listed on ChiNext of Shenzhen Stock Exchange, stock code: 300177) and Nimble Holdings Company Limited, a company listed on the Stock Exchange, stock code 00186. She is also a director of Guangdong Dazhi Environmental Protection Technology Co., Ltd (廣東達志環保科技股份有限公司). During the past three years, Ms. Lu Zhenghua served as a director of Guangdong Dazhi Environmental Protection Technology Co., Ltd (廣東達志環保科技股份有限公司, a company listed on ChiNext of Shenzhen Stock Exchange (stock code: 300530) and as an independent director of Guangdong Lilac Industrial Co., Ltd. (廣東紫丁香實業股份有限公司, a company listed on the New Third Board, stock code: 835362).

**Ms. Wen Huiying(溫惠英)**, aged 53, an independent non-executive director of the Company. Ms. Wen has been engaging in teaching and scientific research related to transportation engineering for a long period of time and is currently the deputy dean of the School of Civil Engineering and Transportation, director of the Department of Transportation Engineering, deputy director of the Institute of Intelligent Transportation Systems and Modern Logistics Technology (智能交通系統與現代物流技術研究所), head of the traffic system planning management and security control team, as well as a supervisor of the master's and doctoral program in transportation planning and management at South China University of Technology. Ms.

Wen served as an assistant professor and a lecturer at Hubei University of Automotive Technology (湖北汽車工業學院) from 1986 to 1996, and has been teaching at the School of Civil Engineering and Transportation of South China University of Technology (formerly School of Transportation of South China University of Technology) since 1997 where she served as a lecturer and an associate professor before her current position as a professor at the university. In addition, Ms. Wen formerly served as an expert consultant for transportation industry under the Guangzhou Municipal People's Government (廣州市人民政府) and a committee member of the Youth Science and Technology Workers Committee of the China Communications and Transportation Association (中國交通運輸協會青年科技工作者工作委員會). Ms. Wen received a bachelor's degree at Peking University (北京大學), a master's degree at Wuhan University (武漢大學), and a doctoral degree at South China University of Technology (華南理工大學) in 1986, 1997 and 2007, respectively.

**Mr. Zhan Xiaotong(詹小彤)**, aged 56, an independent non-executive director of the Company. Mr. Zhan is currently a partner of Guangdong Kings Law Firm (廣東金領律師事務所) and a committee member of the Guangzhou Arbitration Committee (廣州仲裁委員會). He practiced as a lawyer and served as a deputy director of Guangzhou Yuexiu Law Firm (廣州市越秀律師事務所) and served as a deputy director of Guangzhou Law Firm (廣州市律師事務所). Mr. Zhan was assigned by the Guangzhou Justice Bureau to serve as a deputy general manager of Yue Xiu China Legal Consultancy Services Limited (越秀中國法律諮詢服務有限公司) in Hong Kong from July 1997 to December 2001 and concurrently practiced law at Guangzhou International Economy and Trade Law Firm (廣州市國際經濟貿易律師事務所). In addition, Mr. Zhan also served as a full-time lawyer of Guangdong Kings Law Firm and the branch secretary of the Party. Mr. Zhan was admitted as a lawyer in the PRC in 1986, and is qualified to practice PRC securities law. He took part in the training for senior managements (independent directors) of listed companies held by the Shenzhen Stock Exchange in 2012, and is qualified to act as an independent director of a listed company. Apart from his career as a lawyer, he has also been an arbitrator of the Guangzhou Arbitration Committee of China (中國廣州仲裁委員會) for over 20 years, having participated in various kinds of business arbitration cases and gained extensive experience in the practice. Mr. Zhan has an established reputation in the arbitration community.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SUPERVISORS

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

**Mr. Hu Xianhua (胡賢華)**, aged 44, is a Supervisor and the chairman of the supervisory committee of the Company and is currently the chairman of the dispatched chairman of the supervisory committee of GCGC. Mr. Hu worked for the Company as a clerk from March 2004 to December 2005. Other major work experience of Mr. Hu Xianhua includes, among others: manager of the finance department of Guangshan Highway Huizhou Section Co. Ltd. (廣汕公路惠州段有限公司), project manager of Xin Yue Company Limited (新粵有限公司), grade one staff member (一級職員) of the financial audit department, grade one staff member (一級職員) of the audit and supervision department, deputy business supervisor and business supervisor of GCGC. Mr. Hu is a graduate of Wuhan University majoring in auditing, and obtained a bachelor's degree in economics and possesses the qualification as senior accountant. Currently, Mr. Hu also serves as a supervisor and the chairman of the supervisory committee of Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司) and Guangdong Gong Bei Bus Transportation Co. Ltd. (廣東省拱北汽車運輸有限責任公司).

**Mr. Wang Qingwei (王慶偉)**, aged 45, is a Supervisor and is currently a dispatched supervisor of GCGC. Other major work experience of Mr. Wang includes, among others: deputy director of the financial audit department of the Second Branch of Guangdong Guanyue Highway & Bridge Company (廣東冠粵路橋公司二分公司) and head of the financial audit department of Guangdong Guanyue Highway & Bridge Company Limited (廣東冠粵路橋公司). Mr. Wang is a university graduate of the School of Adult Education of Peking University (北京大學成人教育學院) majoring in international economy and trade, and has obtained a master's degree in professional accounting from the School of Management in Jinan University (暨南大學管理學院), and possesses the qualification as a senior accountant. Mr. Wang also serves as a supervisor of the supervisory committee of Guangdong Gong Bei Bus Transportation Co. Ltd.

**Mr. Dong Yihua (董毅華)**, aged 61, is a Supervisor and currently serves as an associate professor of the Accounting Department at the Faculty of Management of Jinan University (暨南大學管理學院). He has taken part in the assessment work on the bidding evaluation of certain key projects or enterprise projects hosted by the Economy and Trade Committee of Guangdong province (廣東省經貿委), the Economic and Information Commission of Guangdong Province (廣東省經濟和信息化委員會), China CNTC International Tendering Corporation (中招國際招標有限公司), and Guangzhou Productivity Promotion Center (廣州生產力促進中心), respectively for consecutive years or several times in the capacity of a financial expert. Mr. Dong successively worked as a teaching assistant, a lecturer, a deputy director and a director of the teaching and research office and an associate professor at the Department of Finance and Accounting in Jiangxi University of Finance and Economics (江西財經學院). He has worked in Jinan University (暨南大學) since September 1994, and served as an associate professor of Modern Management Center of Jinan University (暨南大學現代管理中心). Mr. Dong studied at the Department of Finance and Accounting in Jiangxi University of Finance and Economics (江西財經學院) majoring in business finance and accounting, and obtained a bachelor's degree in economics and a master's degree in economics, respectively.

**Mr. Lin Hai (林海)**, aged 45, is a Supervisor and currently serves as the vice president of Guangdong Zhongrui Finance Lease Co., Ltd. (廣東中瑞融資租賃有限公司) and a director of Guangzhou Ruixiu Equity Investment Fund Management Co., Ltd. (廣州瑞秀股權投資基金管理有限公司). Mr. Lin previously worked at Zhanjiang Central Sub-branch of the People's Bank of China, responsible for the foreign currency operations and the foreign exchange inspection, and also served as the director of Zhanjiang Wanji Trade Co., Ltd. (湛江市萬吉利貿易有限公司), the chief of the strategic investment department of Foshan Huaxin Packaging Co., Ltd. (佛山華新包裝股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 200986), the vice general manager and the financial controller of Guangzhou Improve Medical Instrument Co., Ltd. (廣州陽普醫療科技股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 300030), and the financial advisor to Baolai International Group Co., Ltd. (寶來國際集團有限公司). Mr. Lin graduated from the Shanghai Jiao Tong University (上海交通大學) majoring in international finance and of the South China University of Technology (華南理工大學) majoring in business administration, and obtained a bachelor's degree in economics and a master's degree in business administration, respectively.

**Mr. Zhen Jianhui (甄健輝)**, aged 47, is a Supervisor and a deputy manager at the Company's supervision and audit department. Mr. Zhen is also currently a supervisor and the chairman of the supervisory committee of several subsidiaries, associates and entrusted management companies of the Group. Mr. Zhen Jianhui joined GVTG in September 1997, and previously served as a deputy manager at GVTG's supervision and audit department. He was also previously a deputy manager at the finance department of Kee Kwan Motor Road Co., Ltd (岐關車路有限公司) and primarily in charge of the internal audit. Mr. Zhen graduated from Guangdong Xinhua College Institute of Education (廣東新華教育學院) with a college diploma in accounting and had obtained the professional title of an accountant.

**Ms. Li Xiangrong (李向榮)**, aged 47, is a Supervisor and a deputy manager at the Company's supervision and audit department. Ms. Li joined the Company in August 2009, and once served as the deputy director and the director of the auditing and supervision department of the Company. Ms. Li is also currently a supervisor and/or the chairman of the supervisory committee of several subsidiaries and associate company of the Group. Ms. Li's other main work experiences include, among others, serving as the financial chief staff of the finance department, the manager of the auditing and supervisory department and an employee supervisor of Hunan Ginde Development Co., Ltd. (湖南金德發展股份有限公司). Ms. Li obtained her bachelor's degree in political laws from the Correspondence College of the Party School of the CPC Central Committee, and owns a number of qualifications or certificates such as senior accountant, certified tax agent, international certified internal auditor and international certification in risk management assurance.

**Ms. Lian Yuebin (練越斌)**, aged 50, is a Supervisor and the deputy manager of the communist party union working department of the Company. She has been serving as the deputy manager of the communist party union working department of the Company since January 2013. Other key positions previously held by Ms. Lian include, among others, the deputy general manager and the chairman of the labor union of Guangdong Yueyun Hotel (廣東悅運酒店), the deputy general manager and the chairman of the labor union of the repair factory of GVTG and the deputy manager of the communist party union working department and the office director of the labor union of GVTG. Ms. Lian graduated from Guangdong Provincial Committee Party School in Business Administration and Jinan University in Chinese Language and Literature and holds the title of senior political scientist.

## OTHER SENIOR MANAGEMENT

**Mr. Rao Fengsheng (饒鋒生)**, aged 55, is the current vice secretary of the party committee of the Company. Mr. Rao served as a Supervisor representing the staff of the Company from June 2007 to May 2013, the manager of the human resources department of the Company from February 2003 to September 2006, the deputy secretary of the party committee and the secretary of the discipline inspection committee and the chairman of the labor union of the Company from September 2006 to January 2013. His other major working experiences include, among others, working in the bridge research centre, technology office, the party committee and office of Guangdong Provincial Transportation Science Research Institute (廣東省交通科研院所) as the deputy office director, and as the deputy manager of the administration department, the manager of the human resources department, the deputy director and a secretary of the branch of party of the Guangzhou office of Xin Yue Company Limited. Mr. Rao is a senior economist and qualified senior political commissar. He graduated from the Guangdong Social Science University with a college diploma in corporate management and from Beijing Institute of Technology (北京理工大學) with a bachelor degree. He obtained a bachelor's degree in laws from Beijing Institute of Technology and a master degree in Executive Master of Business Administration (EMBA) from South China University of Technology.

**Ms. Cao Zhiying (曹植英)**, aged 48, is a member of the party committee, secretary of the committee for discipline inspection and chairman of the labour union of the Company. Ms. Cao served at the Company from February 2018. Prior to that, her other major work experience included, among others, surveillance center manger of Guangdong Humen Bridge Co., Ltd. (廣東虎門大橋有限公司), operation and management department head of Guangdong Provincial Highway Construction Co., Ltd. (廣東省公路建設有限公司), party branch secretary, deputy general manager and labour union chairman of the Humen Erqiao Branch of Guangdong Provincial Highway Construction Co., Ltd. Ms. Cao graduated successively from South China University of Technology (華南理工大學) and Jinan University (暨南大學), majoring semiconductor physics and devices and business administration, respectively with a bachelor degree in engineering and a master degree in business administration. Ms. Cao holds a senior engineer professional and technical qualification.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Du Zhuocai (杜卓才)**, aged 57, is a member of the Party Committee and deputy general manager of the Company. He is also the chairman of the board of Zhuhai Yuegongxin Marine Shipping Limited Liability Company (珠海粵拱信海運輸有限公司, an associate of the Company). Mr. Du is also a director of Guangdong Hong Kong-Zhuhai-Macau Bridge Shuttle Bus Co., Ltd. (廣東港珠澳大橋穿梭巴士有限公司), Hong Kong-Zhuhai-Macau Bridge Shuttle Bus (Hong Kong) Co., Ltd. (港珠澳大橋穿梭巴士(香港)有限公司), Hong Kong-Zhuhai-Macau Bridge Shuttle Bus (Macau) Co., Ltd. (港珠澳大橋穿梭巴士(澳門)股份有限公司), an executive director of Transportation Association of Guangdong Province (廣東省交通運輸協會) and the deputy director of the Professional Committee of New Energy Automobile of Guangdong Province Road Transportation Association (廣東省道路運輸協會新能源汽車專業委員會), respectively. Mr. Du commenced his service with the Company since May 2015. Mr. Du successively acted as the vice manager of the Passenger Transportation Department, assistant general manager, director, deputy general manager and chairman of labor union at GD-HK Company from April 1999 to May 2015 until he joined the Company in May 2015. Amongst his other major working experiences, he successively served as a cadre at sub-section level of corporate administration division, deputy section chief and section officer of transportation administration division of the Department of Communications of Guangdong Province (廣東省交通廳). Mr. Du graduated from South China Institute of Technology (華南工學院) with a bachelor's degree, majoring in ship internal combustion engine.

**Mr. Zheng Siyuan (鄭思遠)**, aged 48, is a member of the Party Committee and the deputy general manager of the Company. After joining GVTG in July 2004, Mr. Zhen successively acted as the manager of Development Department and assistant general manager of GVTG and the chairman and secretary of Party Committee of Heyuan City Yueyun Motor Transportation Co., Ltd. (河源市粵運汽車運輸有限公司), a subsidiary of the Company. Amongst his other major working experiences, he successively served as a director and vice manager of Vehicle Administration Department of Kwong Fat Transport Limited (廣發運輸有限

公司) and a director and vice general manager of Kwong Fat Transport Limited. Mr. Zheng graduated from South China Agricultural University (華南農業大學) with a master degree in industrial economy and has obtained the professional qualification of senior human resources management specialist. Mr. Zheng is also a director of GD-HK Company and Guangdong Yue Hua Hui Commercial Management Co., Ltd. (廣東悅華匯商業管理有限公司), respectively, a director of Guangzhou Xintianwei Transportation Development Company Limited (廣州新天威交通發展有限公司), the deputy director of the board of Guangdong Chain-Store & Franchise Association (廣東省連鎖經營協會) and the chairman of the Tourists Transportation Branch of Guangdong Provincial Roads and Transportation Association (廣東省道路運輸協會旅客運輸分會).

**Mr. Liu Wanneng (劉萬能)**, aged 50, is a member of the party committee of the Company and deputy secretary of the party committee, director and general manager of Guangdong Top-E. He is also the chairman of the board of Guangdong Zhongyou Top-E Energy Trading Company Limited (廣東中油通驛能源銷售有限公司, a joint venture of the Company). Other major work experience of Mr. Liu includes, among others, serving as office director, vice chairman of the labour union and secretary of the party branch of Xuansuoqiao Branch and office director of the Xinhui-Taishan Highway turnkey project department of Guangdong Changda Highway Engineering Company Limited (廣東省長大公路工程有限公司), deputy office director of Guangdong Guanghui Highway Company Limited (廣東廣惠高速公路有限公司) and director of Huizhou Office, leader of the road administration brigade and secretary of the party branch of Guangdong Guanghui Highway Company Limited, and head of the investment and development department and head of investment and operation department of Guangdong Gong Bei Bus Transportation Company Limited (廣東省拱北汽車運輸有限公司). Mr. Liu graduated from Party School of the Central Committee of CPC Correspondence Institute majoring in politics and law. He has the professional qualifications as a political engineer.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

**Mr. Zhang Dongsheng (張東升)**, aged 57, is a member of the party committee of the Company and deputy secretary of the party committee of Guangdong Top-E. Other main working experiences of Mr. Zhang include, among others, serving successively as a technician and assistant in the People's Liberation Army Navy Guangzhou Base Logistics Department, vice division personnel, deputy clerk director, clerk director and division head in Southern Ind.& Trading General Corp., deputy manager in related industry department of Guangdong Xinyue Communications Investment Company Limited, deputy general manager, deputy secretary of the party general branch, the chairman of labor union, the deputy secretary of the party committee, the secretary of the discipline inspection committee and the chairman of labor union of Guangdong Top-E. Mr. Zhang obtained a bachelor degree of naval engineering from the Naval University of Engineering, PLA. Mr. Zhang possesses the professional qualification as a senior economist.

**Mr. Liu Zhiquan (劉志全)**, aged 53, is the secretary of the Board of the Company, the director and manager of Yueyun Transportation (HK) Company Limited (粵運交通股份(香港)有限公司) (a wholly-owned subsidiary of the Company). Mr. Liu joined the Company as secretary of the Board in 1999, and had concurrently served as the office director and the manager of business department of the Company. He obtained a master's degree in industry and business administration in 1999 and graduated from the course of advanced study for secretaries of boards of directors provided by the training center of the Ministry of Commerce of the PRC in 2004. Mr. Liu is currently a member of the Hong Kong Institute of Chartered Secretaries and possesses qualification as an economist. The major past positions of Mr. Liu include, among others, serving as a cadre in Guangdong Navigation Administration Bureau (廣東省航務管理局), a secretary of the secretary section in the Department of Communications of Guangdong Province, the deputy manager of Guangdong Provincial Communication Development Co., Ltd. (廣東省交通開發公司), the managing director of Guangdong Yuefeng Real Estate Development Co., Ltd. (廣東粵峰房地產開發有限公司), and the deputy director at the General Manager's Office of Guangdong Highway Construction Co., Ltd. (廣東省公路建設公司).

# CORPORATE GOVERNANCE REPORT

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

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

On 21 March 2018, the Company has appointed Mr. Jin Wenzhou as a member of the Audit and Corporate Governance Committee, and Ms. Lu Zhenghua was elected as the chairman of the Audit and Corporate Governance Committee. Currently, the Audit and Corporate Governance Committee of the Company comprises three members, including two independent non-executive Directors, namely Ms. Lu Zhenghua and Mr. Jin Wenzhou, and one non-executive Director, namely Mr. Li Bin. Among which, Ms. Lu Zhenghua possesses the relevant professional qualifications and accounting and financial management expertise to understand financial statements. The Company has complied with the Listing Rules in relation to the audit committee since then and has complied with the code provisions of the CG Code for the year ended 31 December 2018.

## BOARD OF DIRECTORS

### 1. COMPOSITION OF THE BOARD OF DIRECTORS

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

Chairman: Mr. Xuan Zongmin

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

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

Independent Non-executive Directors: Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong

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

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

According to Rule 3.10A of the Listing Rules of Hong Kong, independent non-executive Directors should represent at least one third of the board of listed companies, according to which the Company has appointed adequate number of independent non-executive Directors. The Board has received the annual confirmation of each of the independent non-executive Directors’ independent capacity for the year 2018 and has recognized the independency of each of the independent non-executive Directors.

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

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



## 2. RECORD OF ATTENDING BOARD MEETINGS AND GENERAL MEETINGS

Apart from the regular Board meetings, the Board met on other occasions when a board-level decision on a particular matter was required. For the year ended 31 December 2018, the Company held a total of 15 board meetings with an average attendance rate of 98%. The Directors received details of agenda items and minutes of the committee meetings in advance of each Board meeting. The Company kept detailed minutes for the business considered and approved on such meetings. The minutes are filed and kept by the Secretary to the Board.

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

For the year ended 31 December 2018, the Company held six general meetings.

The table below sets forth the details of attendance at board meetings and general meetings of the Directors in the year 2018

	Board meetings Meetings attended/to be attended	General meetings attended/to be attended
<b>Executive Directors</b>		
Mr. Xuan Zongmin (Chairman)	15/15	4/6
Mr. Tang Yinghai	15/15	2/6
Mr. Yao Hanxiong	14/15	0/6
Mr. Wen Wu (Appointed as Director on 15 August 2018)	8/8	2/6
Mr. Guo Junfa (Note)	9/9	0/6
<b>Non-executive Directors</b>		
Mr. Li Bin (Note)	8/9	1/6
Mr. Chen Min (Note)	9/9	0/6
<b>Independent Non-executive Directors</b>		
Mr. Gui Shouping (Resigned as Director effective from 15 August 2018)	7/7	0/6
Mr. Jin Wenzhou	15/15	0/6
Ms. Lu Zhenghua	15/15	0/6
Ms. Wen Huiying (Appointed as Director on 15 August 2018)	8/8	0/6
Mr. Zhan Xiatong (Appointed as Director on 15 August 2018)	8/8	0/6

Note:

Mr. Li Bin served as the head of strategic development department of GCGC and was redesignated to Guangdong Unitoll Services Co., Ltd., a subsidiary of GCGC, on November 2018; Mr. Chen Min served as the head of the legal affairs department of GCGC and Mr. Guo Junfa served as the head of supervision and audit department of GCGC. Therefore, in 2018, as each of them during their term of office as director was deemed to have a material interest in the below connected transactions agreements and the transactions contemplated thereunder, they had abstained from voting at the following Board meetings held to approve the related connected transactions agreements and respective transactions contemplated thereunder and were not counted for in the quorum present at the meeting:

- (1) In the extraordinary board meeting held on 29 May 2018, Mr. Li Bin, Mr. Chen Min and Mr. Guo Junfa abstained from voting on, and were not counted in the quorum present at the meetings for approving resolutions on the following matters: (a) the supplemental agreement to the entrusted management agreement entered into the Company and Yueyun Investment Management and the annual cap for connected transaction in respect of entrusted management fee for the year ending 31 December 2018 be revised; and (b) the Material Supply Management Agreement entered into by the Company and Guangdong Changda, and payment of service charge for Guangdong Changda's material and logistics management in accordance with the agreement. For details, please refer to the announcement dated 29 May 2018 of the Company.
- (2) In the extraordinary board meeting held on 10 August 2018, Mr. Li Bin, Mr. Chen Min and Mr. Guo Junfa abstained from voting on, and were not counted in the quorum present at the meetings for considering the resolution of the joint ventures in Guangdong, Hong Kong and Macao in respect of capital contribution by GVTG to Yuegongxinhai in proportion to shareholdings, which will be specifically used to invest in the Hong Kong-Zhuhai-Macao Bridge. For details, please refer to the announcement dated 10 August 2018.
- (3) In the extraordinary board meeting held on 13 August 2018, Mr. Li Bin, Mr. Chen Min and Mr. Guo Junfa abstained from voting on, and were not counted in the quorum present at the meetings for considering resolutions on the following matters: (a) the termination agreement in respect of the property leasing framework agreement and the supplemental property leasing framework agreement entered into by the Company and Guangzhou Yueyun Investment Management Co., Ltd. (廣州粵運投資管理有限公司); and (b) the new property leasing framework agreement entered into by the Company and Guangdong Litong Properties Investment Company Limited and the proposed annual caps for the year ended 31 December 2020 of the relevant transactions contemplated thereunder. For details, please refer to the announcement dated 13 August 2018.
- (4) In the extraordinary board meeting held on 31 August 2018, Mr. Li Bin, Mr. Chen Min and Mr. Guo Junfa abstained from voting on, and were not counted in the quorum present at the meetings for considering resolutions on the following matters: (a) the entrusted management agreement by the Company and Yueyun Investment Management in respect of Chaozhou City Yueyun Motor Transportation Co., Ltd.\* (潮州市粵運汽車運輸有限公司), pursuant to which, Yueyun Investment Management entrusted its 100% equity interests held in Chaozhou Yueyun Motor Transportation Co., Ltd. for management by the Company; (b) the entrusted management agreement of Kee Kwan Motor Road Company Limited\* (岐關車路有限公司) and Guangdong Province Gongbei Vehicles Transportation Company Limited\* (廣東省拱北汽車運輸有限公司) entered into by the Company and GCGC, pursuant to which, GCGC entrusted Kee Kwan Motor Road Company Limited and Guangdong Province Gongbei Vehicles Transportation Company Limited for management by the Company. For details, please refer to the announcement dated 31 August 2018.
- (5) In the extraordinary board meeting held on 14 September 2018, Mr. Li Bin, Mr. Chen Min and Mr. Guo Junfa abstained from voting on, and were not counted in the quorum present at the meetings for considering resolutions on the following matters: (a) the second supplemental non-competition agreement entered into by the Company and GCGC; (b) the supplemental first right of operation agreement entered into by the Company and GCGC; and (c) the financial services agreement entered into by the Company and GCGC, and the proposed annual caps for the year ended 31 December 2021 of the relevant the transactions contemplated thereunder. For details, please refer to the announcement dated 18 September 2018.
- (6) In the extraordinary board meeting held on 28 December 2018, Mr. Li Bin, Mr. Chen Min and Mr. Guo Junfa abstained from voting on, and were not counted in the quorum present at the meetings for considering resolutions on matters relating to the entrusted management agreement of Shenzhen Yueyun Investment Development Company Limited\* (深圳粵運投資發展有限公司) entered into by the Company and Guangdong Litong Properties Investment Company Limited\* (廣東利通置業投資有限公司), pursuant to which, Guangdong Litong Properties Investment Company Limited entrusted its 80% equity interest held in Shenzhen Yueyun Investment Development Company Limited for management by the Company. For details, please refer to the announcements dated 28 December 2018 and 4 January 2019.

### 3. RESPONSIBILITY AND OPERATION OF THE BOARD

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

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

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

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

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

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions of Directors and Supervisors for the year ended 31 December 2018. The Company had made specific enquiries of all Directors and Supervisors and each of the Directors and Supervisors have confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2018.

## 5. DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

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

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

Name of Directors	Reading materials	Participation in training
Mr. Xuan Zongmin	√	
Mr. Tang Yinghai	√	
Mr. Yao Hanxiong	√	
Mr. Wen Wu	√	√
Mr. Guo Junfa	√	
Mr. Li Bin	√	
Mr. Chen Min	√	
Mr. Gui Shouping (Resigned as Director effective from 15 August 2018)	√	
Mr. Jin Wenzhou	√	
Ms. Lu Zhenghua	√	
Ms. Wen Huiying	√	√
Mr. Zhan Xiaotong	√	√



### 6. COMMITTEES OF THE BOARD

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

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

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

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

In the year of 2018, the members of the Audit and Corporate Governance Committee met regularly with the senior management of the Company and external auditors and reviewed the audit reports and financial statements of the Group, and listened to the work reports from the management and financial management department, and provided advice and recommendations to the management. The Audit and Corporate Governance Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2018 and recommended their adoption by the Board.

In the year of 2018, the members of the Audit and Corporate Governance Committee reviewed the effectiveness of the internal control and risk management systems (including measures on financial, operational, compliance control and risk management) and the internal audit functions of the Group by reviewing the work of the internal control and auditing departments of the Company and the external auditors and the report by the Company on risk management and internal auditing as well as reviewing the internal audit plan of the Company, ensuring that the efficiency of the business operation of the Company and achieving the goal and strategy of the Company.

The Audit and Corporate Governance Committee held two meetings during the year ended 31 December 2018 with an attendance rate of 100%. The Audit and Corporate Governance Committee members' attendance records of the Audit and Corporate Governance Committee's meetings for the year ended 31 December 2018 are set out below:

	Meetings attended/to be attended	Attendance rate
Ms. Lu Zhenghua (Chairman)	2/2	100%
Mr. Li Bin	2/2	100%
Mr. Jin Wenzhou	2/2	100%

### Functions of Corporate Governance

The corporate governance policies of the Company were included in other internal regulations and systems of the Company, such as the Articles of Associations, the rules of procedure for the general meeting, the rules of procedure for the Board and the rules of procedure for the Supervisory Committee. The Audit and Corporate Governance Committee has reviewed the disclosures in the Corporate Governance Report of the Company for the year ended 31 December 2018 as per its responsibilities, and reviewed the corporate governance of the Company.

#### (2) Remuneration Committee

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

As at 31 December 2018, the Remuneration Committee comprised two independent non-executive Directors, Mr. Zhan Xiaotong and Ms. Lu Zhenghua, and one non-executive Director, Mr. Li Bin. Mr. Zhan Xiaotong is the chairman of the Remuneration Committee. The Remuneration Committee held two meetings during the year ended 31 December 2018 with an attendance rate of 100%. The Remuneration Committee proposed recommendations on the Company's remuneration policy for 2018 and assessed the performance of the executive directors.

The Remuneration Committee members' attendance records of the Remuneration Committee's meetings for the year ended 31 December 2018 are set out below:

	Meetings attended/to be attended	Attendance rate
Mr. Gui Shouping (Resigned on 15 August 2018)	2/2	100%
Mr. Zhan Xiaotong (Chairman)	N/A	N/A
Mr. Li Bin	2/2	100%
Ms. Lu Zhenghua	2/2	100%

## CORPORATE GOVERNANCE REPORT

### (3) *Nomination Committee*

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

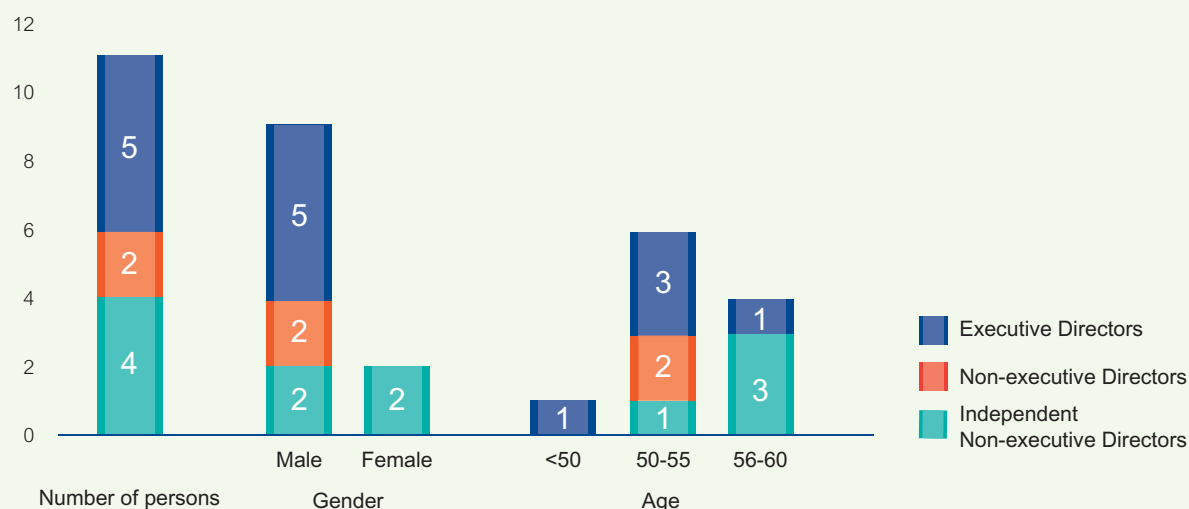
As at 31 December 2018, the Nomination Committee had one executive Director, Mr. Xuan Zongmin, and two independent non-executive Directors, Mr. Zhan Xiaotong and Ms. Lu Zhenghua. Mr. Xuan Zongmin is the chairman of the Nomination Committee. The Nomination Committee held two meetings during the year ended 31 December 2018 with an attendance rate of 100%. During the year ended 31 December 2018, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience of the Board); (ii) considered and recommended to the Board the nomination of Mr. Jin Wenzhou as a member of the Audit and Corporate Governance Committee and Ms. Lu Zhenghua as the chairman of the Audit and Corporate Governance Committee; (iii) considered and recommended to the Board the nomination of Wen Wu, Wen Huiying and Zhan Xiang as new directors of the Company; and (iv) assessed the independence of independent non-executive Directors.

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

	Meetings attended/to be attended	Attendance rate
Mr. Xuan Zongmin (Chairman)	2/2	100%
Mr. Gui Shouping (Resigned on 15 August 2018)	2/2	100%
Mr. Zhan Xiaotong	N/A	N/A
Ms. Lu Zhenghua	2/2	100%

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

Board Diversity Mix as at 31 December 2018

**(4) Strategy Committee**

The Strategy Committee is established in accordance with the requirements of the governance and control of the Company, primarily responsible for studying and making recommendations on the long-term development strategies and the decisionmaking on significant investments of the Company. It comprises three members, of which Mr. Xuan Zongmin, an executive Director, is the chairman of the Strategic Committee, and other two members are Mr. Tang Yinghai, an executive Director, and Ms. Wen Huiying, an independent non-executive Director. The Strategy Committee held one meeting during the year ended 31 December 2018 with an attendance rate of 100%.

**(5) Compliance Committee**

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



## CORPORATE GOVERNANCE REPORT

### SUPERVISORY COMMITTEE

As at 31 December 2018, the supervisory committee of the Company (the “**Supervisory Committee**”) comprises seven members, including two independent Supervisors (namely Mr. Dong Yihua and Mr. Lin Hai), two Supervisors appointed by Shareholders (namely Mr. Hu Xianhua and Mr. Wang Qingwei) and three Supervisors representing the staff of the Company (namely Mr. Zhen Jianhui, Ms. Li Xiangrong and Ms. Lian Yuebin). The Supervisory Committee is responsible for supervising the Board, the Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its employees.

For the year ended 31 December 2018, the Supervisory Committee reviewed and examined the financial position and the legal compliance of the operations of the Company and performed its duties under the principles of due care through conducting special inspections and convening the Supervisory Committee’s meetings and attending the Board meetings of the Company.

During the year ended 31 December 2018, the Supervisory Committee held two meeting with an average attendance rate of 93%.

### FEES OF THE EXTERNAL AUDITOR

The Company has appointed KPMG Huazhen LLP as the independent auditor of the Company. The fees for the audit and non-audit services provided by the above auditor to the Group for the year ended 31 December 2018 amounted to RMB9,690,000 (tax included), of which RMB8,250,000 was audit service fees, and RMB1,440,000 was non-audit service fees (including interim review fees and professional service fees relating to the circular of financial service agreement).

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

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

### COMPANY SECRETARY

As at 31 December 2018 and the date of this report, Ms. Zhang Li served as the company secretary of the Company and was responsible for, amongst other things, ensuring that the Group complied with all obligations imposed by the Listing Rules and the Code on Takeovers and Mergers and Share Buy-backs.

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

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

## GENERAL MEETINGS

### 1. SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

### 2. THE 2017 ANNUAL GENERAL MEETING HELD ON 19 JUNE 2018

On 19 June 2018, the Company held the 2017 Annual General Meeting to consider and approve six ordinary resolutions including the Directors' Report, the Supervisors' Report, the Auditor's Report and audited financial statements for the year ended 31 December 2017, the payment of a final dividend of 2017, appointment of KPMG Huazhen LLP as the auditor of the Company and grant of the authorization to the board of directors to determine the remuneration of the Directors and Supervisors. All resolutions proposed to the Shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

### 3. EXTRAORDINARY GENERAL MEETINGS

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

On 31 July 2018, the Company held the Class Meeting for the Holders of H Shares and the Class Meeting for the Holder(s) of Domestic Shares. Among which, the H shares class meeting considered and approved four ordinary resolutions and seven special resolutions, including but not limited to: (1) approve the Company's application for the domestic initial public offering of RMB ordinary A Shares and the listing of the A Shares on the Small and Medium Enterprise Board in the Shenzhen Stock Exchange: 1.1 type and par value of the proposed issuance; 1.2 issuance size; 1.3 method of pricing; 1.4 method of issuance; 1.5 issuing targets; 1.6 method of underwriting; 1.7 use of proceeds to be raised; 1.8 allocation plan for the accumulated profit before the offering; 1.9 place of listing; and 1.10 validity period of the resolutions; (2) grant of the authorization to the board of directors of the Company to handle the initial public offering of Shares of the Company and the listing related matters; (3) approve the projects to be invested with the proceeds to be raised from the A Share Offering of the Company; (4) approve the dilution of immediate returns and the proposed measures of recovery of returns on the A Share Offering of the Company; (5) approve the plan to stabilize the price of Shares of the Company; (6) approve the dividend distribution plan for the next three years after the A Share Offering of the Company; (7) amend the Articles of Association of the Company; (8) amend the rules of procedures of the general meeting of the Company; (9) amend the rules of procedures of the board of directors of the Company; (10) amend the rules of procedures of the supervisory committee of the Company; and (11) consider and approve the following proposals item by item: 11.1 the administrative measures for the related party transactions of the Company; 11.2 the decision-making system of external guarantee of the Company; 11.3 the administrative measures for the raised funds of the Company; and 11.4 the working rules of the independent directors of the Company. All resolutions proposed to the Shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

On 15 August 2018, the Company held the extraordinary general meeting to consider and approve three ordinary resolutions and one special resolution, including but not limited to: (1) approve the appointment of Dr. Wen Huiying as an independent non-executive Director; (2) approve the appointment of Mr. Zhan Xiaotong as an independent non-executive Director; (3) approve the appointment of Mr. Wen Wu as an executive Director; and (4) propose amendments to the Articles of Association. All resolutions proposed to the Shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

On 12 November 2018, the Company held the extraordinary general meeting to consider and approve one ordinary resolution including the capital reduction of Guangdong Vehicles Transportation Group Company Limited in the amount of approximately RMB1,066 million. All resolutions proposed to the Shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

On 17 December 2018, the Company held the extraordinary general meeting to consider and approve three ordinary resolutions, including but not limited to: (1) approve the execution of and the performance of the obligations by the Company under the Financial Services Agreement entered into between the Company and Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") in relation to the provision of a range of financial services to the Company and its subsidiaries, including but not limited to provision of the deposit services as stipulated thereunder; approve the proposed maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) in the amount not exceeding RMB1 billion for each of the three years ending 31 December 2021; (2) approve the execution of and the performance of the obligations by the Company under the Second Supplemental Non-competition Agreement entered into between Guangdong Provincial Communication Group Company Limited ("GCGC") and the Company to amend the scope of non-competing businesses and the scope of the excluded businesses as set out in the non-competition agreement dated 15 September 2005 (the "2005 Non-competition Agreement") as amended by a supplemental non-competition agreement dated 17 September 2012 (the "First Supplemental Non-competition Agreement") both entered into between the same parties; (3) approve the execution of and the performance of the obligations by the Company under the Supplemental First Right of Operation Agreement entered into between GCGC and the Company to amend the scope of non-competing businesses and the scope of the relevant business as set out in the first right of operation agreement dated 15 September 2005 (the "First Right of Operation Agreement") entered into between the same parties. All resolutions proposed to the shareholders had been passed. The voting results had been published on the websites of the Company and the Stock Exchange.

#### 4. THE 2018 ANNUAL GENERAL MEETING WILL BE HELD ON 17 JUNE 2019

The Company's annual general meeting (the "**2018 AGM**") will be held on 17 June 2019. Notice of the 2018 AGM will be dispatched together with the 2018 annual report. Notice of the AGM, the proxy form and reply slip will be published on the websites of the Company and the Stock Exchange. The voting results of the proposed resolutions will be announced on the websites of the Company and the Stock Exchange immediately after the 2018 AGM is held. All Shareholders are encouraged to attend the 2018 AGM and exercise their rights to vote.

The register of members of the Company will be closed in order to determine the qualification of Shareholders to attend and vote at the 2018 AGM. The details are as follows (all dates and time are Hong Kong time):

##### **To determine the qualification of Shareholders to attend and vote at the 2018 AGM:**

Deadline for lodging transfer documents for registration	4:30 p.m. on Thursday, 16 May 2019
Closure of register of members	Friday, 17 May 2019 to Monday, 17 June 2019
Record date	Monday, 17 June 2019

The register of members of the Company will be closed during the above periods. In order to determine the qualification of H-Share holders to attend and vote at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the abovementioned deadlines.



### AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. On 21 December 2017, the Board agreed to request the Shareholders to consider the special resolution on proposed amendments to the Articles of Association at the extraordinary general meeting, the purposes of which are set out below:
  - (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 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 approved by the Shareholders in the extraordinary general meeting held on 19 March 2018 and registered for changes with Administration of Industry and Commerce of Guangdong Province, with formal effect from 30 March 2018. Please refer to the announcements dated 21 December 2017 and 19 March 2018 and the circular dated 31 January 2018 of the Company for details.

2. On 25 June 2018, the Board agreed to request the Shareholders to consider the special resolution on proposed amendments to the Articles of Association at the extraordinary general meeting, the purposes of which are set out below:

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 6 November 2018 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.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### 1. MANAGEMENT SYSTEM AND STRUCTURE

The Company and its subsidiaries have established risk management system in accordance with the internal rules and regulations relating to risk prevention and management such as Risk Management and Internal Control Management Measures. When performing their work duties, the management, each of the business departments and the staff need to strictly comply with relevant corporate rules and workflows and shoulder responsibility for their conduct and performance. The Company's risk management and internal control systems are designated to manage significant risks rather than eliminate risks of failure to achieve business objectives, and can provide reasonable and not absolute assurance that the Company will not have material misstatement or significant losses.

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

The Audit and Corporate Governance Committee reviews half-yearly the operation of the risk management and internal control systems. The committee listened to the report on risk management and internal audit work of the Company for the periods ended 31 December 2017 and 30 June 2018, respectively, at two meetings of the Audit and Corporate Governance Committee held in 2018, and reviewed and reported the effectiveness of the internal control systems of the Company to the Board.

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

# CORPORATE GOVERNANCE REPORT

## 2. FINANCIAL CONTROL

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

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

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

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

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

## 3. LEGAL AFFAIRS MANAGEMENT AND COMPLIANCE CONTROL

In the ordinary course of the Company's operations, external expansion and information disclosure, the Company strictly abides by relevant laws and regulations and regulatory requirements to have legal affairs management and compliance and regulation go through all processes of the Company from decision, execution to supervision and cover or even permeate all procedures and all aspects of the Company's operation and management. In addition to engagement of its standing legal advisors, the Company also has in place a legal affairs department and a designated legal personnel to provide compliance opinions on its significant operation decisions and the entering into of contracts. In 2018, the legal review rate of business contracts, management rules and major events was 100%. With regards to significant investment and operation decisions, the Group engages specialized legal advisor to perform due diligence with the aim of giving legal opinions so as to ensure compliance with laws and regulations of the Company's operation and management, safety of its assets, truthfulness and completeness of its financial reports and the relevant information. In 2018, the Company invited external legal advisors to hold trainings on legal affairs in respect of corporate merger and acquisition according to the specific condition of its business development, so as to enhance the Group's awareness of legal risk prevention and compliance in respect of corporate merger and acquisition.

### 4. RISK MANAGEMENT

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

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

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

### 5. INTERNAL AUDIT

In 2018, the Company continued to put greater efforts on audit and supervision by focusing on the development strategy and risk management and control needs of the Company, which completed 155 audit items in aggregate for the year. The Company strengthened the internal control system establishment and execution and examination, which revised three systems, namely the Measures for the Management of Internal Audit (《內部審計管理辦法》), the Measures for the Management of Economic Responsibility Audit (《經濟責任審計管理辦法》) and the Measures for the Management of Basic Construction Project Audit (《基本建設項目審計管理辦法》). The Company also evaluated the establishment and execution of internal control of its companies, and promoted the standardized management of its units. For the sake of exert the healthy internal audit supervision, service and evaluation functions, the Company put efforts on audit rectification, consolidated the operation of audit results, incorporated units did not conduct a rectification into the annual result appraisal, and the underperformed individuals shall be accounted for.



### INFORMATION DISCLOSURE AND INVESTOR RELATIONS

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

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

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

# DIRECTORS' REPORT

The Board presents the report of the Directors for the year ended 31 December 2018 together with the audited financial statements of the Group for the year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the travel services business. The Groups is also engaged in material logistics business and other business. The Company is an investment holding company and details of the principal activities of its principal subsidiaries are set out in the Note 4 to the financial statements.

## BUSINESS REVIEW

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

## RESULTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Group's results for the year ended 31 December 2018 are set out in the consolidated income statement. The financial highlights of the Group for the year ended 31 December 2018 are set out on pages 13 to 14 in this annual report, and the results and financial position for the year ended 31 December 2018 prepared in accordance with the Accounting Standard for Business Enterprises issued by the Ministry of Finance of the PRC and the relevant regulations (the "ASBE") are set out on pages 114 to 123 in the audited financial statements of this annual report.

## FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the year ended 31 December 2018 as well as the last five financial years are set out on page 49 in this annual report.

## DIRECTORS' REPORT

### DIVIDEND POLICY

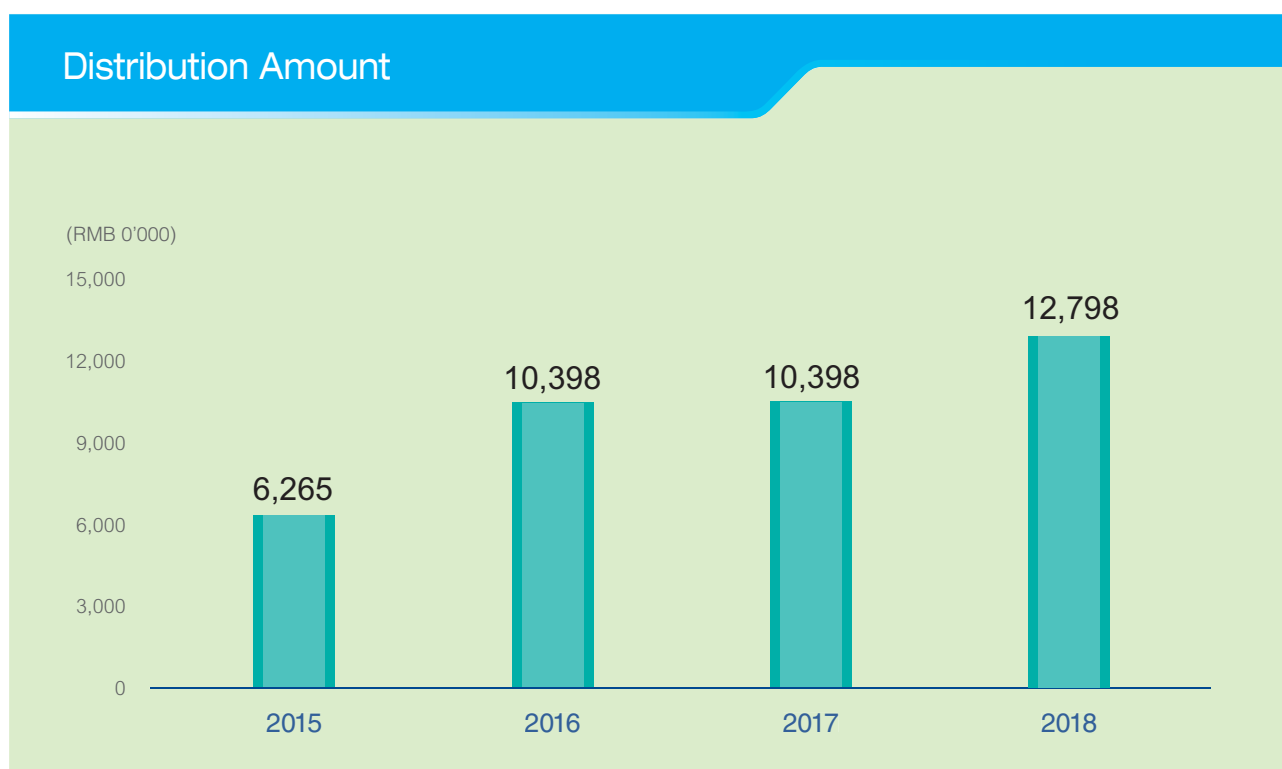
The Company is committed to realize long-term and sustainable development. After taking into comprehensive consideration of factors including the Company's actual conditions, development planning, Shareholders' requirements and intentions, social capital cost and external financing conditions, as well as taking into full account of factors such as current and estimated profitability, cash flow position, current stage of development, funding needs and financing planning, the Company shall establish a continuous, stable and scientific return planning and mechanism for investors, and thereby formulating institutional arrangements for dividend distribution to ensure the continuity and stability of the dividend distribution policies.

The specific amount and ratio for dividend payout are subject to Shareholder's approval, current and future funding needs of the Company, corporate plans, cash flow, financial positions and dividends received from subsidiaries and restrictions of relevant laws and regulations.

### DIVIDEND

The Company attaches great importance to reward shareholders with reasonable return on investment in form of cash dividends. In recent years, the dividend payout ratio of the Company shall not be less than 30% of the net profit for the year attributable to shareholders of the Company. The dividend payout ratio for the current year even rose to 41% of the net profit attributable to shareholders of the Company.

With respect to dividend distribution to shareholders, the dividend distribution in recent years is shown in the diagram below:



## 1. *Proposed Payment of Final Dividend*

On 13 March 2019, the Board recommended the distribution of the final dividend of 2018 in cash of RMB0.17 before tax per share. The relevant dividend payment proposal will be submitted to the 2018 AGM for consideration. If the approval of dividend payment is obtained from the Shareholders, the Company expects that the final dividend will be paid on or around Wednesday, 21 August 2019.

The proposed final dividend payment will be distributed based on the total issued share capital of the Company of 799,847,800 shares. Dividends will be denominated and declared in RMB and dividends for holders of domestic shares will be distributed and paid in RMB, while dividends for holders of H shares will be declared in RMB but paid in Hong Kong dollars. The conversion of RMB into HK\$ shall be calculated based on the average price of the medium prices for conversion of RMB into HK\$ announced by the People's Bank of China five working days preceding the 2018 AGM.

## 2. *Taxation*

According to the Law on Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China adopted in 2008, the Company shall be obliged to withhold 10% enterprise income tax when it distributes the 2018 final dividend to non-resident enterprise shareholders of overseas H shares (including Hong Kong Securities Clearing Company Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members at 4:30 p.m. on Wednesday, 26 June 2019.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (CaiShuiZi [1994] No.020) 財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994] 020號), individual shareholders of overseas H shares whose names appear on the Company's H share register of members at 4:30 p.m. on Wednesday, 26 June 2019 and whose registered addresses are located in the Hong Kong or outside China are exempted from individual income tax of the PRC when distribution of 2018 final dividend of the Company is made.

Pursuant to the Individual Income Tax Law of the People's Republic of China and its implementation rules and regulations, the Company shall be obliged to withhold 20% individual income tax when it distributes the 2018 final dividend to individual shareholders of H shares whose names appear on the H share register of members at 4:30 p.m. on Wednesday, 26 June 2019 and whose registered addresses are located in China.

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

## DIRECTORS' REPORT

### 3. *Closure of Register of Members*

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

Deadline for lodging transfer documents for registration	4:30 p.m. on Thursday, 20 June 2019
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Closure of register of members	Friday, 21 June 2019 to Wednesday, 26 June 2019 (both days inclusive)
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Record date	Wednesday, 26 June 2019
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The register of members of the Company will be closed during the above periods. In order to be qualified for the payment of proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged by holders of H shares with the Company's Hong Kong H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the above mentioned deadlines.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2018, the Group's total purchases attributable to the Group's five largest suppliers were 45%, and the Group's aggregate sales attributable to the Group's five largest customers were 18%.

For the year ended 31 December 2018, the purchases attributable to the largest supplier of the Group represented 12% of total purchases of the Group.

For the year ended 31 December 2018, the sales attributable to the largest customer of the Group represented 6% of total sales of the Group.

In 2018, none of the Directors, the Supervisors or their respective associates or any Shareholders of the Company who, to the best knowledge of the Directors, held more than 5% of the issued share capital of the Company, had any interest in the five largest suppliers or the five largest customers of the Group for the year.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2018 and details of the distributable reserves of the Company as at 31 December 2018 are set out in note V 36 to the financial statements prepared in accordance with the ASBE.

## STATUTORY RESERVE FUNDS

Details of the statutory reserve funds are set out in note V 37 to the financial statements prepared in accordance with the ASBE.



### INVESTMENT PROPERTIES AND FIXED ASSETS

Particulars of the movements in investment properties and fixed assets of the Group and the Company during the year ended 31 December 2018 are set out in notes V 10 and 11 to the financial statements.

### RELATIONSHIP WITH EMPLOYEES

Upholding the “people-oriented” corporate culture, the Company respect every employee, advocate equal employment, offer reasonable salary and protect employees’ legitimate rights and interests in accordance with laws.

Adhering to the talent concept of “taking talents as orientation, enabling talents to shine and achieving talents’ dreams”, the Company strives to provide every employee with a favourable working environment, a sound guarantee system for salaries and benefits, a broad space for career development, multi-layer training sessions and rich recreational activities, and enable employees to work and live happily during their achievement of their own value.

To grow together with its employees, the Group establishes a sound system and working mechanism for employees’ career development, and a professional selection and employment path for talents and reserve talents echelon.

While improving the Group’s performance continuously, we participate in social insurance and housing fund pursuant to relevant policies, deepen the reform on income allocation system according to the management concepts of “post-oriented salary, pay for performance, promotion of capability development and gradual integration with the market”, respect and promote personal development. The Group endeavours to increase employees’ salary and income level, has the growth of salary and income incline to first-line positions and key positions, and boosts the simultaneous development of the Company and its employees.

### RELATIONSHIP WITH SUPPLIERS AND CUSTOMERS

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

### ENVIRONMENTAL POLICY AND PERFORMANCE

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

The Group abides by laws, regulations, standards and other provisions relating to environmental protection. For the purpose of achieving green and low-carbon transportation, we formulate an emission reduction system scientifically based on the green concept, keep optimizing our operation and management models and introducing advanced environment-friendly technologies, and promote harmonious development of business operation and environment. Meanwhile, we regularly conduct publicity activities on energy-saving and environmental-protection to raise environmental-protection awareness of employees.

## DIRECTORS' REPORT

We always believe that the biggest contribution to the environment is minimizing the impact of our vehicles, so as to reduce the emissions of pollutants. Therefore, we are committed to optimizing our management system and upgrading our technologies, to lower the emissions of exhaust and greenhouse gas generated from operation by proper emission control and continuously-updated technologies. Adhering to the concept of minimizing the damage to external environment and the impact on society, the Company endeavors to lower the emissions with environment burden generated from production and operation.

For details about the environmental policies and performance of the Group, please refer to the "2018 Environmental, Social and Governance Report" to be issued by the Company.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Company is a joint stock limited company established under the Company Law of the People's Republic of China. The Group is principally engaged in the travel services business. The Groups is also engaged in material logistics business and other business. The Group is required to comply with the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Road Transportation Safety Law of the People's Republic of China and the Tendering and Bidding Law of the People's Republic of China and all other applicable laws and regulations during our normal operating activities. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended 31 December 2018. The Company and its subsidiaries have obtained all significant licenses, approvals and permits for the operation of business from relevant regulatory authorities.

As the Company is listed on the Stock Exchange, and the Group operates cross-border transportation business between Guangdong Province and Hong Kong. For the year ended 31 December 2018, as far as the Board and management are aware, the Group had also complied with the Listing Rules, Hong Kong Companies Ordinance, the Securities and Futures Ordinance and applicable laws and regulations in Hong Kong.

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

## COMPETING INTEREST

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

## DIRECTORS AND SUPERVISORS

The Directors who were under current term of office during the year ended 31 December 2018 and up to the date of this report are as follows:

Name	Date of Appointment as Director	Date of Resignation as Director
<b>Executive Directors</b>		
Mr. Xuan Zongmin (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	N/A
Mr. Tang Yinghai (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	N/A
Mr. Yao Hanxiong	18 December 2012	N/A
Mr. Guo Junfa	18 December 2012	N/A
<b>Non-executive Directors</b>		
Mr. Li Bin	18 December 2012	N/A
Mr. Chen Min	7 June 2016	N/A
<b>Independent Non-executive Directors</b>		
Mr. Gui Shouping	2 February 2004	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

The Supervisors who were under current term of office during the year ended 31 December 2018 and up to the date of this report are as follows:

Name	Date of Appointment as Supervisor	Date of Resignation as Supervisor
Mr. Hu Xianhua	7 June 2016	N/A
Mr. Wang Qingwei	7 June 2016	N/A
Mr. Dong Yihua	7 June 2016	N/A
Mr. Lin Hai	7 June 2016	N/A
Mr. Zhen Jianhui	15 April 2014	N/A
Ms. Li Xiangrong	7 June 2016	N/A
Ms. Lian Yuebin	15 August 2017	N/A

## DIRECTORS' REPORT

### INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

The biographies of Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 50 to 57 in this annual report.

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

As at 31 December 2018, the interests of Directors and Supervisors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### (a) LONG POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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

#### (b) LONG POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF ASSOCIATED CORPORATIONS OF THE COMPANY

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

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management officers of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

Details of the remuneration of the Directors and Supervisors of the Company and the five highest paid individuals of the Group are set out in the notes VI 7 to the financial statements prepared in accordance with the ASBE. There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2018. Pursuant to B.1.5 of the CG Code, the remuneration range of the members of the senior management (including the executive Directors) for the year ended 31 December 2018 is set out below:

Remuneration range (RMB)	Number of Persons
Below 300,000	2
300,000 to 500,000	4
500,000 to 700,000	6
700,000 to 900,000	5

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

As at 31 December 2018, no Director or Supervisor had entered into any service contract with the Company or any of its subsidiaries, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

In addition to the service contracts with the Company, none of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2018.

## PERMITTED INDEMNITY PROVISIONS

In 2018, the Company had made an appropriate insurance arrangement in respect of costs associated with legal proceedings that may be brought against its Directors, Supervisors and senior management arising from negligence during the course of the performance of their duties.



## DIRECTORS' REPORT

### BOARD COMMITTEES

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

### CONTINUING CONNECTED TRANSACTIONS

1. Pursuant to Chapter 14A of the Listing Rules, details of the following continuing connected transactions of the Group for the year ended 31 December 2018 which are required to be disclosed in the annual report of the Company are described below:

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

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

Continuing Connected Transactions	Annual Transaction Amount Caps
<p>(c) On 27 September 2005, the Company and GCGC entered into a material purchase master agreement (the “<b>Material Purchase Master Agreement</b>”), pursuant to which the Group purchases construction materials from GCGC Group pursuant to the execution agreements under the Material Purchase Master Agreement, with a term of three years. Subject to the relevant requirements of the Listing Rules, the Material Purchase Master Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such term. The independent shareholders of the Company had approved the renewal of the Material Purchase Master Agreement and the proposed annual caps thereof for each of the three years ended 31 December 2019 at the extraordinary general meeting held on 8 December 2016.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB615,830,000, R M B 8 2 6 , 1 1 0 , 0 0 0 a n d RMB260,370,000, respectively</p>
<p>Please refer to the announcements dated 19 September 2016 and 8 December 2016 and the circular dated 21 October 2016 of the Company for details.</p>	
<p>(d) The Company (on behalf of itself and its subsidiaries) entered into a financial services agreement and supplemental agreement (collectively “<b>Financial Services Agreement</b>”) with Guangdong Provincial Communication Group Finance Company Limited (“<b>GCG Finance</b>”), a subsidiary of GCGC on 18 March 2016 and 2 June 2016, respectively, pursuant to which GCG Finance provides financial services (including deposit services, credit services and other financial services) to the Group for a term commencing from 5 August 2016 to 31 December 2018. The independent shareholders of the Company had approved the renewal of the Financial Services Agreement and the proposed annual caps thereof for each of the three years ended 31 December 2018 at the extraordinary general meeting held on 5 August 2016.</p>	<p>The maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion for each of the years ending 31 December 2016, 2017 and 2018</p>
<p>Please refer to the announcements dated 18 March 2016, 2 June 2016 and 5 August 2016 and the circular dated 15 June 2016 of the Company for details.</p>	
<p>On 18 September 2018, the Company (on behalf of itself and its subsidiaries) entered into a financial services agreement with GCG Finance, pursuant to which GCG Finance provides financial services (including deposit services, credit services and other financial services) to the Group for a term commencing from 1 January 2019 to 31 December 2021. The independent shareholders of the Company had approved the renewal of the Financial Services Agreement and the proposed annual caps thereof for each of the three years ended 31 December 2021 at the extraordinary general meeting held on 17 December 2018.</p>	<p>The maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion for each of the years ending 31 December 2018, 2019 and 2020</p>
<p>Please refer to the announcements dated 18 September 2018, 26 October 2018 and 17 December 2018 and the circular dated 26 October 2018 of the Company for details.</p>	

## DIRECTORS' REPORT

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

Continuing Connected Transactions	Annual Transaction Amount Caps
(e) On 13 September 2016, Guangdong Yueyun Jia Fu Industrial Ltd. ("Yueyun Jiafu", a subsidiary of the Company) and Weisheng Dongguan International Logistic Co., Ltd. (" <b>Weisheng Logistics</b> ", a subsidiary of GCGC) entered into the Asphalt Transportation Services Agreement (the " <b>Asphalt Transportation Services Agreement</b> "), pursuant to which the parties agreed that Yueyun Jiafu will entrust Weisheng Logistics to conduct transportation management services for asphalt products for a term commencing from 13 September 2016 and ending on 31 December 2017, subject to the terms of the Asphalt Transportation Services Agreement.	The caps of transactions for the years ended 31 December 2016 and 2017 are RMB7,120,000 and RMB13,800,000, respectively
Please refer to the announcement dated 13 September 2016 of the Company for details.	
On 10 October 2017, South China Logistics Enterprise and Weisheng Logistics entered into the Asphalt Transportation Services Framework Agreement (the " <b>Asphalt Transportation Services Framework Agreement</b> ") to govern the existing and future asphalt transportation services agreements between South China Logistics Enterprise and its subsidiaries and Weisheng Logistics. The term of the Asphalt Transportation Services Framework Agreement commences from 10 October 2017 and ends on 31 December 2017.	The cap of transactions for the year ended 31 December 2017 is RMB34,110,000
Please refer to the announcement dated 10 October 2017 of the Company for details.	
On 27 December 2017, South China Logistics Enterprise and Weisheng Logistics entered into a new asphalt transportation services framework agreement with a term commencing from 1 January 2018 and ending 31 December 2020.	The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB14,400,000, RMB12,000,000 and RMB9,600,000, respectively
Please refer to the announcement dated 27 December 2017 of the Company for details.	

Continuing Connected Transactions	Annual Transaction Amount Caps
<p>(f) On 30 December 2014, the Company and Guangdong Humen Bridge Company Limited ("<b>Humen Bridge Company</b>", an associate of GCGC and therefore a connected person of the Company under Chapter 14A of the Listing Rules) entered into an entrusted operation management contract (the "<b>Entrusted Operation Management Contract</b>"), pursuant to which the Company engaged Humen Bridge Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange for the period from 1 January 2015 to 31 December 2017.</p> <p>Please refer to the announcement dated 30 December 2014 of the Company for details.</p> <p>On 27 December 2017, the Company and Humen Bridge Company entered into a new entrusted operation management contract, pursuant to which the Company engaged Humen Bridge Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange for the period from 1 January 2018 to 31 December 2020. The term may be automatically renewed for three years upon expiry on 31 December 2020 subject to compliance with the relevant requirements under the Listing Rules if there is no objection from any parties.</p> <p>Please refer to the announcement dated 27 December 2017 of the Company for details.</p>	<p>The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are RMB4,700,000</p> <p>The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB4,800,000</p>

## DIRECTORS' REPORT

Continuing Connected Transactions	Annual Transaction Amount Caps
(g) On 26 February 2015, GD-HK Company and Weisheng Transportation Enterprises Company Limited (" <b>Weisheng</b> ", a subsidiary of GCGC and a connected person of the Company under Chapter 14A of the Listing Rules) entered into the GD-HK Transportation Branch Outsourcing Agreement, pursuant to which GD-HK Company outsourced the operation of GD-HK Transportation Branch to Weisheng for a term commencing from 1 March 2015 and ending on 31 December 2017.	The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are HK\$27,030,000, HK\$28,880,000 and HK\$30,920,000, respectively
Please refer to the announcement dated 26 February 2015 of the Company for details.	
On 27 December 2017, GD-HK Company and Weisheng entered into a new GD-HK Transportation Branch Outsourcing Agreement, pursuant to which GD-HK Company outsourced the operation of GDHK Transportation Branch to Weisheng for a term commencing from 1 January 2018 and ending on 31 December 2020.	The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are HK\$18,000,000
Please refer to the announcement dated 27 December 2017 of the Company for details.	
(h) On 26 February 2015, GD-HK Company and Weisheng entered into the Weisheng Bus Outsourcing Agreement, pursuant to which Weisheng outsourced the operation of Weisheng Bus to GD-HK Company for a term commencing from 1 March 2015 and ending on 31 December 2017.	The caps of transactions for the years ended 31 December 2015, 2016 and 2017 are HK\$15,940,000, HK\$17,020,000 and HK\$18,190,000, respectively
Please refer to the announcement dated 26 February 2015 of the Company for details.	
On 27 December 2017, GD-HK Company and Weisheng entered into a new Weisheng Bus Outsourcing Agreement, pursuant to which Weisheng outsourced the operation of Weisheng Bus to GD-HK Company for a term commencing from 1 January 2018 and ending on 31 December 2020.	The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are HK\$9,400,000
Please refer to the announcement dated 27 December 2017 of the Company for details.	



Continuing Connected Transactions	Annual Transaction Amount Caps
<p>(i) On 9 August 2006, the Company and GCGC entered into a Taiping Interchange repair services master Agreement (the <b>"Taiping Interchange Master Agreement"</b>), pursuant to which GCGC Group provide repair and renovation services for the Taiping Interchange to the Group pursuant to the execution agreements under the Taiping Interchange Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. On 31 October 2016, the parties to the Taiping Interchange Master Agreement agreed to renew the term of the Agreement for a further term of three years commencing on 1 January 2017 and ending on 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 amounted to RMB34,940,000, RMB20,870,000 and RMB30,560,000, respectively</p>
<p>Please refer to the announcement dated 31 October 2016 of the Company for details.</p>	
<p>(j) On 30 September 2013, the Company and GCGC entered into a rescue services entrustment master agreement (the <b>"Rescue Services Entrustment Master Agreement"</b>), pursuant to which the Group provides the GCGC Group with rescue services pursuant to the execution agreements under the Rescue Services Entrustment Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. On 31 October 2016, the parties to the Rescue Services Entrustment Master Agreement agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB66,718,000, RMB67,424,000 and RMB71,167,000, respectively</p>
<p>Please refer to the announcement dated 31 October 2016 of the Company for details.</p>	

## DIRECTORS' REPORT

Continuing Connected Transactions	Annual Transaction Amount Caps
(k) On 30 September 2013, the Company and GCGC entered into an information systems services master agreement (the <b>"Information Systems Services Master Agreement"</b> ), pursuant to which GCGC Group will provide the Group with information system services, including construction of information systems, maintenance of information systems, software development and other information technology related services pursuant to the execution agreements under the Information Systems Services Master Agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Information Systems Services Master Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. On 31 October 2016, the parties to the Information Systems Services Master Agreement agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.	The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB3,306,000, RMB5,065,000 and RMB3,310,000, respectively
Please refer to the announcement dated 31 October 2016 of the Company for details.	
(l) On 27 September 2005, the Company and GCGC entered into a transportation intelligence services and other auxiliary services master agreement (the <b>"Transportation Intelligence Services and Other Auxiliary Services Master Agreement"</b> ), pursuant to which the Group provides transportation intelligence services to GCGC Group pursuant to the execution agreements under the transportation intelligence services and other auxiliary services master agreement, with an initial term of three years. Subject to the relevant requirements of the Listing Rules, the Agreement shall be automatically renewed unless a notice of non-renewal is given by either party to the other party at least three months prior to the expiry of such initial term. The Group ceased to operate transportation intelligence services since 2013, but operate other auxiliary services. On 31 October 2016, the parties to the Transportation Intelligence Services and Other Auxiliary Services Master Agreement agreed to extend such term for another three years commencing from 1 January 2017 to 31 December 2019.	The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB12,719,000, RMB12,089,000 and RMB12,117,000, respectively
Please refer to the announcement dated 31 October 2016 of the Company for details.	

Continuing Connected Transactions	Annual Transaction Amount Caps
<p>(m) On 31 October 2016, the Company (as lessee) and Yueyun Investment Management (as lessor) entered into a leasing agreement (the “<b>Leasing Agreement</b>”) in respect of the lease of the 8th floor of Yueyun Building for use as restaurant premises and the lease of the 17th, 18th, 19th, 21st, 23rd, 24th, 25th, 26th and 27th floors of Yueyun Building for use as office premises for a term from 1 January 2017 to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB5,144,158</p>
<p>Please refer to the announcement dated 31 October 2016 of the Company for details.</p>	
<p>On 31 October 2016, Highway Media (as lessee) and Yueyun Investment Management (as lessor) entered into a lease agreement (the “<b>New Lease Agreement</b>”) in respect of the leasing of premises of units A1, B, C, D and E of 5th floor and units A, B, C, D, E, F and G of 6th floor of Yueyun Building for office purpose for a term from 1 January 2017 to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB1,267,533, RMB1,390,348 and RMB1,486,900, respectively</p>
<p>Please refer to the announcement dated 31 October 2016 of the Company for details.</p>	
<p>On 31 July 2017, the Company (as lessee) and Yueyun Investment Management (as lessor) entered into the Property Leasing Framework Agreement, pursuant to which the Group may lease the properties of Yueyun Investment Management or its subsidiaries. Following the signing of the Property Leasing Framework Agreement, the relevant transactions under the above leasing agreement and the new leasing agreement are also subject to the Property Leasing Framework Agreement and their respective annual caps of transactions are also included in the proposed annual caps under the Property Leasing Framework Agreement. The agreement has an initial term of three years. The term of the agreement commences from 31 July 2017 and ends on 31 December 2019. The parties may renew the Property Leasing Framework Agreement for three years through friendly negotiations, subject to compliance with the relevant requirements of the Listing Rules and all other applicable laws and regulations.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB8,928,000, RMB10,896,000 and RMB11,324,000, respectively</p>
<p>Please refer to the announcement dated 31 July 2017 of the Company for details.</p>	

## DIRECTORS' REPORT

Continuing Connected Transactions	Annual Transaction Amount Caps
<p>On 27 December 2017, the Company and Yueyun Investment Management entered into the Supplemental Property Leasing Framework Agreement to amend certain terms of the Property Leasing Framework Agreement such that the property management fees and other relevant charges and expenses in relation to the properties leased by the Company or its subsidiaries, pursuant to the Property Leasing Framework Agreement shall be payable to Yueyun Investment Management or its entrusted property management agencies and that the caps for the years ended 31 December 2018 and 2019 were amended.</p> <p>Please refer to the announcement dated 27 December 2017 of the Company for details.</p>	<p>The caps of transactions for the years ended 31 December 2018 and 2019 were revised to RMB16,400,000 and RMB16,800,000, respectively</p>
<p>On 13 August 2018, the Company and Yueyun Investment Management entered into the Termination Agreement, pursuant to which the Company and Yueyun Investment Management agreed to terminate the Existing Property Leasing Framework Agreement with effect from 13 August 2018 and both parties shall no longer have any rights and obligations under the Existing Property Leasing Framework Agreement.</p>	<p>The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB16,400,000, RMB16,800,000 and RMB17,100,000, respectively</p>
<p>On 13 August 2018, the Company (as lessee) and Guangdong Litong Properties Investment Company Limited ("<b>GD Litong</b>") (as lessor) entered into the New Property Leasing Framework Agreement for regulating the existing and future leasing agreements between the Group and GD Litong. The Group may extend, revise or renew the existing leasing contracts with GD Litong from time to time within the term of the New Property Leasing Framework Agreement. The term of the New Property Leasing Framework Agreement commenced on 13 August 2018 and shall remain valid until 31 December 2020.</p> <p>Please refer to the announcement dated 13 August 2018 of the Company for details.</p>	

Continuing Connected Transactions	Annual Transaction Amount Caps
<p>(n) On 31 October 2016, the Company as supplier and Yueyun Investment Management as purchaser entered into a product supply framework agreement in relation of supply of convenience store merchandise for a term from 1 January 2017 to 31 December 2019.</p> <p>Please refer to the announcement dated 31 October 2016 of the Company for details.</p>	<p>The caps of transactions for the years ended 31 December 2017, 2018 and 2019 are RMB4,256,000, RMB4,970,000 and RMB6,470,000, respectively</p>
<p>(o) On 11 December 2015, the Company and Yueyun Investment Management entered into the entrusted management agreement (the “<b>Entrustment Management Agreement</b>”), pursuant to which Yueyun Investment Management entrusted its 100% equity interest in Meizhou Yueyun, 80% equity interest in Shenzhen Yueyun Investment Development Company Limited and 100% equity interest in Yangjiang Transportation and the business operation of such companies to the Company for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.</p> <p>Please refer to the announcement dated 11 December 2015 of the Company for details.</p>	<p>The caps of transactions for each of the years ended 31 December 2016, 2017 and 2018 are RMB7,662,000</p>
<p>On 11 August 2017, the Company and Yueyun Investment Management entered into the supplementary agreement to the entrusted management agreement, pursuant to which Yueyun Investment Management should terminate the entrusted management of the 100% equity interest in Yangjiang Transportation and amend the annual caps of the entrusted management fees under the entrusted management agreement for the years ended 31 December 2017 and 2018.</p>	<p>The caps of transactions for the years ended 31 December 2017 and 2018 were revised to RMB7,487,204 and RMB7,212,700, respectively</p>
<p>Please refer to the announcement dated 11 August 2017 of the Company for details.</p>	



## DIRECTORS' REPORT

Continuing Connected Transactions	Annual Transaction Amount Caps
<p>On 29 May 2018, the Company and Yueyun Investment Management entered into the Supplemental Agreement, pursuant to which Yueyun Investment Management shall terminate the entrusted management of the 100% equity interest in Meizhou Yueyun, and the annual cap of entrusted management fee for the year ending 31 December 2018 shall be revised.</p>	<p>The annual cap of entrusted management fee for the year ended 31 December 2018 was revised from RMB 7,212,700 to RMB 4,425,478.08.</p>
<p>Please refer to the announcement dated 29 May 2018 of the Company for details.</p>	
<p>On 31 August 2018, the Company and Yueyun Investment Management entered into the entrusted management agreement, pursuant to which Yueyun Investment Management shall entrust its 100% equity interests in Chaozhou Yueyun and its business operations to the Company for a term from 1 September 2018 to 31 December 2020.</p>	<p>The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB835,616.44, RMB2,500,000 and RMB2,500,000, respectively</p>
<p>Please refer to the announcement dated 31 August 2018 of the Company for details.</p>	
<p>(p) On 31 October 2016, Guangdong Yunxing Property Management Company Limited ("Yunxing Property Management", a subsidiary of the Company) (as appointee) and Yueyun Investment Management (as appointor) entered into a property management entrustment framework agreement (the "Property Management Entrustment Framework Agreement"), pursuant to which Yunxing Property Management was engaged by Yueyun Investment Management for the provision of property management services in respect of Yueyun Building and other relevant properties for a term from 1 January 2017 to 31 December 2019.</p>	<p>The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB11,198,000, RMB11,698,000 and RMB12,198,000, respectively</p>
<p>Please refer to the announcement dated 31 October 2016 of the Company for details.</p>	
<p>On 29 September 2017, Yunxing Property Management and Yueyun Investment Management entered into a termination agreement to the Property Management Entrustment Framework Agreement, pursuant to which Yunxing Property Management and Yueyun Investment Management agreed to terminate the Property Management Entrustment Framework Agreement from 1 October 2017 and both parties no longer have any rights and obligations under the Property Management Entrustment Framework Agreement.</p>	
<p>Please refer to the announcement dated 29 September 2017 of the Company for details.</p>	

Continuing Connected Transactions	Annual Transaction Amount Caps
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| (q) On 27 December 2017, Guangdong Top-E (as supplier), a subsidiary of the Company, and Yueyun Investment Management (as purchaser) entered into a refined oil supply framework agreement, pursuant to which Guangdong Top-E shall supply vehicle diesel meeting national standards to the self-use skid-mounted gas stations of Yueyun Investment Management and its subsidiaries and provide refined oil fixed-point refueling services to the self-use or operating vehicles of Yueyun Investment Management and its subsidiaries for a term from 1 January 2018 to 31 December 2020. | The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB25,200,000, RMB37,200,000 and RMB48,000,000, respectively |
|---|---|

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

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| (r) On 31 August 2018, the Company entered into an entrusted management agreement with GCGC, pursuant to which GCGC shall entrust its 100% equity interests in Kee Kwan Motor Road and its business operations to the Company for a term from 1 September 2018 to 31 December 2020. | The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB66,849.32, RMB200,000 and RMB200,000, respectively |
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Please refer to the announcement dated 31 August 2018 of the Company for details.

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| On 31 August 2018, the Company entered into an entrusted management agreement with GCGC, pursuant to which GCGC shall entrust its 100% equity interests in Guangdong Province Gongbei Vehicles Transportation Company Limited (" <b>Gongbei Transportation</b> ", a subsidiary of GCGC) and its business operations to the Company for a term from 1 September 2018 to 31 December 2020. | The caps of transactions for the years ended 31 December 2018, 2019 and 2020 are RMB66,849.32, RMB200,000 and RMB200,000, respectively |
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Please refer to the announcement dated 31 August 2018 of the Company for details.

2. The Company's independent non-executive Directors, Mr. Gui Shouping (resigned on 15 August 2018), Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying (appointed on 15 August 2018) and Mr. Zhan Xiaotong (appointed on 15 August 2018) have reviewed the above continuing connected transactions as set out in (a) to (r) and confirm that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;
- (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and
- (4) on the basis that the internal control procedures established by the Company are sufficient and effective.

## DIRECTORS' REPORT

3. The following table sets out the relevant annual caps and the actual amounts for the year ended 31 December 2018 in relation to the continuing connected transactions of the Company.

Transactions	For the year ended 31 December 2018	
	Annual Cap (RMB' 000)	Actual Amount (RMB' 000)
<i>Non-exempt continuing connected transactions approved by independent Shareholders</i>		
Grant of a first right to operate the expressway service zones and advertising businesses on the expressways controlled by members of GCGC by GCGC to Company under the First Right of Operation Agreement and the subsisting agreements	177,315	148,057
Provision of material logistics services to members of GCGC by the Group under the Material Logistics Services Master Agreement and the subsisting agreements	2,136,040	48,010
Purchase of construction materials from members of GCGC by the Group under the Materials Purchase Master Agreement and the subsisting agreements	826,110	163,600
Pursuant to the Financial Service Agreement, the maximum daily outstanding balance of deposits placed by the Group with GCG Finance (including any interest accrued therefrom) must not exceed RMB1 billion	1,000,000	436,798
<i>Discloseable continuing connected transactions exempt from independent Shareholders' approval</i>		
Provision of asphalt transportation services by Weisheng Logistics to South China Logistics Enterprise and its subsidiaries under the Asphalt Transportation Service Framework Agreement	14,400	987
Engagement of Humen Bridge Company by the Company in providing certain entrusted toll fee collection and other operation management services in relation to the operation of the Taiping Interchange under the Entrusted Operation Management Contract	4,800	4,800
Outsourcing of the operation of GD-HK Transportation Branch to Weisheng by GD-HK Company under the GD-HK Transportation Branch Outsourcing Agreement	HKD18,000,000 (equivalent to approximately RMB15,410,000)	13,681
Outsourcing of the operation of Weisheng Bus to GD-HK Company by Weisheng under the Weisheng Bus Outsourcing Agreement	HKD9,400,000 (equivalent to approximately RMB8,047,000)	7,468

Transactions	For the year ended 31 December 2018	
	Annual Cap (RMB' 000)	Actual Amount (RMB' 000)
Provision of repair and renovation services for the Taiping Interchange by members of GCGC to the Group under the Taiping Interchange Repair Service Master Agreement	20,870	1,872
Provision of rescue services to members of GCGC by the Group under the Rescue Services Entrustment Master Agreement	67,424	58,305
Provision of information system services to the Group by members of GCGC under the Information Systems Services Master Agreement	5,065	153
Provision of other services such as landscape and maintenance, as well as commission from oil stations in Humen Bridge by the Group to subsidiaries of GCGC and other connected parties	12,089	5,978
Leasing of the leased premises from Guangdong Litong Properties Investment Company Limited by the Group under the Property Leasing Framework Agreement	16,400	6,522
Supply of goods by the Group to Yueyun Investment Management and its subsidiaries under the Goods Supply Framework Agreement	4,970	56
Pursuant to the Entrusted Management Agreement and its supplementary agreement, the Company accepted the entrustment by Yueyun Investment Management to manage the 100% equity interests in Meizhou Yueyun, the 100% equity interests in Chaozhou Yueyun and the 80% equity interests in Shenzhen Yueyun Investment Development Company Limited (Note 1)	5,261	4,963
Supplying oil products to self-use skid-mounted gas stations or providing refined oil fixed-point refueling services to subsidiaries of Yueyun Investment Management (including Shenzhen Yueyun and Chaozhou Yueyun) by Guangdong Top-E	25,200	5,782
Pursuant to the Entrusted Management Agreement, the Company accepted the entrustment by GCGC to manage the 100% equity interests in Kee Kwan Motor Road and the 100% equity interests in Gongbei Transportation	134	125

Note 1: Since 30 March 2018 when the Group obtained 100% equity interest in Meizhou Yueyun, the Group and Yueyun Investment Management have terminated the entrusted management of Meizhou Yueyun. Service income derived from entrusted management for the year includes the income received for the entrusted management of equity interests and business operations of Meizhou Yueyun for the first 3 months.

## DIRECTORS' REPORT

4. The Company has followed the pricing policies and guidelines as disclosed in the relevant announcements and circulars when determining the prices and terms of the continuing connected transactions conducted during the year ended 31 December 2018.
5. The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules". The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

## CONNECTED TRANSACTIONS

For the year ended 31 December 2018, one-off connected transactions of the Group which are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules are as follows:

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

Please refer to the announcements dated 21 December 2017 and 19 March 2018 and the circular dated 31 January 2018 of the Company for details.

- (b) On 29 May 2018, the Company and Guangdong Changda entered into the Material Supply Management Agreement, pursuant to which the Company shall pay Guangdong Changda the management fees of RMB11,359,889.94 for the provision of management services for supply of major materials in respect of Project Yunwu including cement, rebar and steel strands.

Please refer to the announcement dated 29 May 2018 of the Company for details.

- (c) On 10 August 2018, GVTG (a wholly-owned subsidiary of the Company), Gongbei Transportation, Zhuhai Public Transportation Group Co., Ltd. (珠海公共交通運輸集團有限公司), Zhuhai High-speed Passenger Ferry Co., Ltd. (珠海高速客輪有限公司) and Zhuhai Yuegongxin Hai Limited Liability Company (珠海粵拱信海運輸有限責任公司) ("Zhuhai Yuegongxin Hai") entered into the Capital Contribution Agreement, pursuant to which GVTG shall contribute RMB47,398,272.47 to Zhuhai Yuegongxin Hai.

Please refer to the announcement dated 10 August 2018 of the Company for details.



## RELATED PARTY TRANSACTIONS

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

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 22,569 employees (as at 31 December 2017: 22,778 (restated)) and the staff costs (including remuneration of Directors) of the Group was RMB1,841,000,000 (2017: RMB1,796,000,000 (restated)) for the year.

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

## EMPLOYEE TRAINING

The Group has always attached great importance to the training and development of human resources, and strived to provide various trainings to management staff and employees. We have faithfully implemented budgeted standard for training and development expenses and its implementation plan of the Group. In 2018, we organized a total of 535 trainings (330s internal training and 205s external trainings) and development activities with approximately 21,500 person-time participated in, with a training participation rate of 100% for management staff. The trainings are conducted in various forms, covering autonomous internal trainings, external trainings, send-out trainings (including lectures, forums and open courses), group expansion and field trips outside the province.

In respect of legal training, in 2018, according to the specific conditions of business development, the Company invited external legal advisers to conduct legal training in corporate acquisitions for the relevant staff of the Group so as to enhance the Group's legal risk prevention awareness and legal compliance awareness in acquisitions.

In 2018, the Company continued to strengthen the professional training of financial staff of the Group and improved the business quality of financial management staff at all levels. The training method was a combination of internal training and external training. The training contents include training of financial sharing cost control system, the continued education of financial staff, newly revised and implemented accounting standards, new taxation policies, comprehensive budget management and financial analysis.

The Company launched rotation training for drivers in 2018. According to the Working Proposal of Rotation Training for Drivers of GCGC and the Company, the rotation training was ensured to achieve effective results, which organized 10 series of program of new certificate classes and re-enhancement classes for the management of safety production of the Group, 912 people received training and the internal training team of safety training was cultivated and enhanced. Outstanding drivers were selected from general units to be trained as internal trainer of the Company based on the existing internal trainer team of the Company, which further expanded and optimized the safety production internal trainer team and enhanced the training of driving skill for drivers.

## DIRECTORS' REPORT

### EMPLOYEE PENSION SCHEME

Details of the Company's employee pension scheme are set out in Note V 30 to the financial statements prepared in accordance with the ASBE.

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

During the year ended 31 December 2018, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year ended 31 December 2018.

### CORPORATE BONDS

Details of the bonds issued and payable by the Company are set out in Note V 28 to the financial statements prepared in accordance with the ASBE.

### DONATIONS

Donations of RMB990,000 was made by the Group during the year ended 31 December 2018.

### AUDITOR

On 19 June 2018, as approved at the annual general meeting, the Company appointed KPMG Huazhen LLP as the auditor of the Company for a term of office until the close of the next annual general meeting of the Company. KPMG Huazhen LLP has audited the Group's financial statements which were prepared in accordance with the ASBE. The Company will propose a resolution at the annual general meeting to be held on 17 June 2019 to appoint KPMG Huazhen LLP as the auditor of the Company.

### SHARE CAPITAL

Details of the share capital of the Company are set out in Note V 33 to financial statements prepared in accordance with the ASBE.

### PRE-EMPTIVE RIGHTS

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

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

To the best knowledge of the Directors, as at 31 December 2018, Shareholders who had interests or short positions in the shares and underlying shares of the Company required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Class of shares	Number of shares/ underlying shares held (Note 1)	Capacity	Approximate percentage in relevant class of share capital (%)	Approximate percentage in total share capital (%)
GCGC	Domestic shares	592,847,800	Beneficial owner	100%	74.12%
China Petrochemical Corporation	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
China Petroleum & Chemical Corporation	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
Sinopec Sales Company Limited	H shares	33,570,000 (Note 2)	Interests of controlled corporation	16.22%	4.20%
Sinopec (Hong Kong) Limited	H shares	33,570,000	Beneficial owner	16.22%	4.20%
Pope Asset Management, LLC	H shares	30,166,644	Investment manager	14.57%	3.77%
Shah Capital Management	H shares	18,025,000	Investment manager	8.70%	2.25%
E Fund Management Co., Ltd.	H shares	10,350,000	Investment manager	5.00%	1.29%

### Notes

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

Save as disclosed above, as at 31 December 2018, the Company was not aware of any other interests or short positions in the shares or underlying shares of the Company required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' REPORT

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

The shareholding structure of the Company as at 31 December 2018 is as follows:

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

GCGC is a controlling shareholder of the Company. Its legal representative is Deng Xiao Hua and its registered capital as at 31 December 2018 was RMB26,800,000,000. It is principally engaged in the investment, construction and management of expressways in Guangdong Province, as well as logistics and transportation business.

### SUFFICIENCY OF PUBLIC FLOAT

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

### MATERIAL LITIGATION OR ARBITRATION

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

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

On behalf of the Board

**Xuan Zongmin**

*Chairman of the Board*

Guangzhou, the PRC

13 March 2019

## Dear Shareholders:

In 2018, based on the principle of safeguarding the interest of all Shareholders, the Supervisory Committee lawfully performed its supervisory functions in accordance with the relevant requirements under the Company Law, the Articles of Association and the Hong Kong Stock Exchange. The Supervisory Committee monitored the Company's production and operation activities, financial position and the performance by the Directors and senior management members of their duties, providing strong support for the Company's standardized operations. We hereby present the tasks carried out by the Supervisory Committee of the Company for the year:

## I. CONVENING SUPERVISORY COMMITTEE MEETINGS

In 2018, the Supervisory Committee of the Company had convened two meetings of the Supervisory Committee: the third and the fourth meeting of the sixth session of the Supervisory Committee. The meeting was convened and held in compliance with the Company Law and the Articles of Association. The resolutions of the meeting were legal and valid.

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

1. considered and approved Annual Work Report of the Supervisory Committee for 2017;
2. considered and approved Work Plan of the Supervisory Committee for 2018;
3. considered and approved Supervision and Inspection Report of the Company for 2017;
4. considered and approved the Proposal of the Company's Application for the Domestic Initial Public Offering of RMB Ordinary A Shares and the Listing of the A Shares on the Small And Medium Enterprise Board in the Shenzhen Stock Exchange;
5. considered and approved the Proposal on the Relevant Undertakings to Information Disclosure of the Prospectus for the A Share Offering of the Company;
6. considered and approved the Proposal on the Dilution of Immediate Returns and the Proposed Measures of Recovery of Returns on the A Share Offering of the Company;
7. considered and approved the Proposal on the Plan to Stabilize the Price of Shares of the Company;
8. considered and approved the Proposal on the Dividend Distribution Plan for the Next Three Years After the A Share Offering of the Company;
9. considered and approved the Proposal on the Rules of Procedures of the Supervisory Committee of the Company.



## SUPERVISORS' REPORT

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

1. Annual Report 2017;
2. Final Accounts Report 2017 and Budget Report 2018;
3. Proposal on Appropriation of Profits 2017;
4. Proposal on Application for Integrated Bank Facilities;
5. Proposal on Appointment of Agent for Distribution of H shares dividends;
6. Proposal on Engagement of Accounting Firm;
7. Status on Completion of Investment 2017 and Investment Plan 2018;
8. Remuneration and Reward Plan 2017;
9. Internal Control Appraisal Report 2017;
10. Internal Audit Plan 2018;
11. Proposal on convening 2017 Annual General Meeting;
12. Minutes of Meetings of the Audit and Corporate Governance Committee;
13. Minutes of Meetings of the Remuneration Committee.
14. Proposals on Appointment of the Members of the Audit and Corporate Governance Committee of the Board.

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

In 2018, members of the Supervisory Committee of the Company attended various meetings relating to major business operations and decision making of the Company, such as meetings of the party committee, the Board and general manager office, they have also reviewed and monitored the voting procedures for major decisions and resolutions, and examined the lawful operation of the Company.

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

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

#### (I) THE OPERATION OF THE COMPANY ACCORDING TO THE LAWS

In 2018, the procedures for convening board meetings and the process for passing resolutions complied with laws and regulations. The Board was able to strictly execute each of the resolutions and authorizations given at the general meetings. Directors and the management of the Company were able to perform their duties in accordance with the resolutions of the general meetings. The Supervisory Committee was not aware of any violation of the laws, regulations and the Articles of Association or other matters which will damage the interest of the Company and the Shareholders in the course of performing corporate duties by Directors and senior management of the Company.

#### (II) CONNECTED TRANSACTIONS

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

**Hu Xianhua**

*Chairman of the Supervisory Committee*

Guangzhou, the PRC

13 March 2019

# AUDITOR'S REPORT

畢馬威華振審字第1900719號

The Shareholders of Guangdong Yueyun Transportation Company Limited:

## OPINION

We have audited the accompanying financial statements of Guangdong Yueyun Transportation Company Limited (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2018, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2018, and the consolidated and company financial performance and cash flows of the Company for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

### Recoverability of accounts receivable

Please refer to note II (10) significant accounting policies and accounting estimates, notes V 2(2) to the financial statements, and note VIII (1) risk analysis and sensitivity analysis to financial instruments in other significant matters.

#### The Key Audit Matter

At 31 December 2018, the Company and its subsidiaries' (the "Group") gross accounts receivable totalled RMB475 million, with loss allowance for accounts receivable of RMB49 million.

The Group's trade receivables mainly arose from road transportation and other service, service zone operation and construction materials supply.

The management measured loss allowance at an amount equal to lifetime expected credit loss, based on aging of the receivables and loss rate, for the receivables existed during the reporting periods in which CAS no.22 "Recognition and Measurement of Financial Instruments (Revised)", CAS no.23 "Transfer of Financial assets (Revised)", CAS no.24 "Hedge Accounting (Revised)" and CAS no.37 "Presentation of Financial Instruments (Revised)" (together known as the "new financial instruments standards") were applicable. According to the past experience of the Group, the loss patterns for different customers are significantly different. Therefore, when calculating the loss allowance based on aging information, the receivables are segmented into road transportation and other service, service zone operation and construction materials supply.

We identified loss allowance for accounts receivables as a key audit matter because accounts receivables and loss allowance are material to the Group and because the recognition of expected credit losses is inherently subjective and requires the exercise of significant management judgement.

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

Our audit procedures to assess the loss allowance for accounts receivable included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of accounts receivable, estimate of expected credit losses and making related allowances;
- Obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the segmentation of the accounts receivable based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;
- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information;
- Assessing whether items were correctly categorised in the accounts receivable aging report by comparing a sample of individual items with the underlying contracts, goods delivery notes, sales invoices and other relevant underlying documentation; and
- Comparing, on a sample basis, cash receipts from debtors subsequently to the financial year relating to accounts receivable balances at 31 December 2018 with bank-in slips.

## AUDITOR'S REPORT

畢馬威華振審字第1900719號

### Recognition of government subsidies

Refer to note II (23) significant accounting policies and accounting estimates and notes V 32, 45 and 47 to the financial statements.

#### The Key Audit Matter

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

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

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

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

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

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

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

Refer to note II (23) significant accounting policies and accounting estimates and notes V 32, 45 and 47 to the financial statements.

**The Key Audit Matter**

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

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

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

**OTHER INFORMATION**

The Company's management is responsible for the other information. The other information comprises all the information included in 2018 annual report of the Company, other than the financial statements and our auditor's report thereon.

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

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

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



## AUDITOR'S REPORT

畢馬威華振審字第1900719號

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

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

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

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

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

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

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

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

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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

**KPMG Huazhen LLP**

Beijing, China

**Certified Public Accountants**

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

**Wang Jie (Engagement Partner)**

**Liang Xinghua**

13 March 2019

# CONSOLIDATED BALANCE SHEET

as at 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
<b>Assets</b>				
<b>Current Assets</b>				
Cash at bank and on hand	1	1,143,157,699.63	1,876,354,128.50	1,670,733,199.35
Bills and accounts receivable	2	426,533,184.08	874,486,077.25	611,129,995.39
Prepayments	3	231,456,090.43	330,959,378.33	240,583,697.21
Other receivables	4	453,775,869.01	411,818,958.72	367,100,965.14
Inventories	5	106,939,985.13	190,235,150.79	137,958,614.51
Non-current assets due within one year		3,484,750.69	31,874,195.35	7,402,505.23
Other current assets	6	60,846,815.21	35,531,593.57	39,517,821.40
<b>Total current assets</b>		<b>2,426,194,394.18</b>	<b>3,751,259,482.51</b>	<b>3,074,426,798.23</b>
<b>Non-current assets</b>				
Long-term receivables	7	5,946,238.22	7,030,155.67	40,874,522.56
Long-term equity investments	8	381,990,308.58	332,013,785.00	237,545,373.76
Investments in other equity instruments	9	1,217,588.22	563,228.22	563,228.22
Investment properties	10	118,809,826.85	180,291,731.04	164,354,635.96
Fixed assets	11	2,944,332,851.94	2,683,689,257.33	2,473,064,867.84
Construction in progress	12	709,268,163.04	316,762,995.42	211,588,508.86
Intangible assets	13	1,060,822,345.19	1,128,291,589.11	1,081,117,377.21
Goodwill	14	104,166,326.02	104,166,326.02	104,166,326.02
Long-term deferred expenses	15	96,170,748.72	52,170,691.55	32,664,888.69
Deferred tax assets	16	195,669,154.81	215,501,150.20	222,759,376.51
Other non-current assets	17	411,720,977.48	411,886,142.50	410,447,716.92
<b>Total non-current assets</b>		<b>6,030,114,529.07</b>	<b>5,432,367,052.06</b>	<b>4,979,146,822.55</b>
<b>Total assets</b>		<b>8,456,308,923.25</b>	<b>9,183,626,534.57</b>	<b>8,053,573,620.78</b>

The notes on pages 130 to 360 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

as at 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term loans	19	109,800,000.00	217,806,642.67	60,000,000.00
Bills and accounts payable	20	837,145,791.31	1,642,202,552.16	1,175,908,713.53
Advances from customers	21	123,093,399.15	196,501,125.04	240,071,906.56
Contract liabilities	22	40,781,584.69	—	—
Employee benefits payable	23	172,099,984.53	188,163,521.91	177,620,764.40
Taxes payable	24	91,056,056.87	174,924,497.04	139,433,129.65
Other payables	25	732,675,635.19	696,811,970.82	684,568,922.53
Non-current liabilities due within one year	26	319,724,895.49	158,346,422.54	125,849,539.54
<b>Total current liabilities</b>		<b>2,426,377,347.23</b>	<b>3,274,756,732.18</b>	<b>2,603,452,976.21</b>
<b>Non-current liabilities</b>				
Long-term loans	27	771,403,711.60	558,075,133.02	261,325,730.93
Bonds payable	28	736,339,628.81	775,310,816.19	774,170,794.08
Long-term payables	29	282,816,003.27	165,168,357.56	138,659,791.85
Long-term employee benefits payable	30	163,746,337.18	181,270,744.39	196,515,754.58
Provisions	31	428,464.61	1,646,679.43	1,100,000.00
Deferred income	32	489,864,404.78	520,711,271.94	559,575,943.65
Deferred tax liabilities	16	51,768,940.47	28,447,231.25	32,736,936.59
<b>Total non-current liabilities</b>		<b>2,496,367,490.72</b>	<b>2,230,630,233.78</b>	<b>1,964,084,951.68</b>
<b>Total liabilities</b>		<b>4,922,744,837.95</b>	<b>5,505,386,965.96</b>	<b>4,567,537,927.89</b>

The notes on pages 130 to 360 form part of these financial statements.

## CONSOLIDATED BALANCE SHEET

as at 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
<b>Liabilities and shareholders' equity</b> <i>(continued)</i>				
<b>Shareholders' equity</b>				
Share capital	33	799,847,800.00	799,847,800.00	799,847,800.00
Capital reserve	34	18,800,491.50	215,513,875.00	285,966,328.19
Other comprehensive income	35	(23,217,197.24)	(34,414,839.74)	(21,923,638.32)
Specific reserve	36	27,547,836.20	34,202,615.37	34,953,712.42
Surplus reserve	37	193,639,642.56	186,668,434.59	160,596,169.46
Retained earnings	38	1,365,334,887.44	1,275,233,926.21	994,629,115.47
Total equity attributable to shareholders of the Company		2,381,953,460.46	2,477,051,811.43	2,254,069,487.22
Non-controlling interests		1,151,610,624.84	1,201,187,757.18	1,231,966,205.67
<b>Total shareholders' equity</b>		<b>3,533,564,085.30</b>	3,678,239,568.61	3,486,035,692.89
<b>Total liabilities and shareholders' equity</b>		<b>8,456,308,923.25</b>	9,183,626,534.57	8,053,573,620.78

These financial statements were approved by the Board of Directors of the Company on 13 March 2019.

**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 130 to 360 form part of these financial statements.

# COMPANY BALANCE SHEET

as at 31 December 2018  
(Expressed in Renminbi Yuan)

	Note V	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
<b>Assets</b>				
<b>Current Assets</b>				
Cash at bank and on hand	1	622,984,930.41	929,531,026.45	1,109,152,535.46
Bills and accounts receivable	2	194,620,429.69	386,465,754.68	260,324,273.44
Prepayments	3	7,023,340.06	117,397,303.85	12,759,797.38
Other receivables	4	101,974,256.21	683,483,735.32	670,545,183.27
Inventories	5	301,983.43	14,650,695.09	2,479,099.78
<b>Total current assets</b>		<b>926,904,939.80</b>	2,131,528,515.39	2,055,260,889.33
<b>Non-current assets</b>				
Investments in other equity instruments	9	1,377,412.45	777,412.45	777,412.45
Long-term equity investment	8	1,711,771,832.17	1,233,022,067.92	1,208,707,080.27
Fixed assets	11	7,257,105.82	5,965,415.37	6,227,757.60
Construction in progress	12	2,708,095.26	—	—
Intangible assets	13	108,509,941.71	114,803,847.21	125,660,101.38
Long-term deferred expenses	15	3,517,954.83	5,622,448.53	4,755,547.36
Deferred tax assets	16	142,909,403.89	149,417,613.25	147,629,709.43
Other non-current assets	17	199,600.00	—	—
<b>Total non-current assets</b>		<b>1,978,251,346.13</b>	1,509,608,804.73	1,493,757,608.49
<b>Total assets</b>		<b>2,905,156,285.93</b>	3,641,137,320.12	3,549,018,497.82

The notes on pages 130 to 360 form part of these financial statements.



# COMPANY BALANCE SHEET

as at 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Short-term loans	19	40,000,000.00	—	—
Bills and accounts payable	20	48,724,615.18	578,392,323.80	329,979,819.37
Advances from customers	21	—	16,031,962.28	38,819,006.55
Contract liabilities	22	28,770,335.75	—	—
Employee benefits payable	23	18,111,647.37	21,618,087.89	18,170,696.86
Taxes payable	24	13,558,047.95	31,058,166.09	13,268,044.80
Other payables	25	563,410,736.74	767,043,723.88	1,061,632,304.31
Total current liabilities		712,575,382.99	1,414,144,263.94	1,461,869,871.89
<b>Non-current liability</b>				
Bonds payable	28	736,339,628.81	775,310,816.19	774,170,794.08
Total non-current liability		736,339,628.81	775,310,816.19	774,170,794.08
Total liabilities		1,448,915,011.80	2,189,455,080.13	2,236,040,665.97
<b>Shareholders' equity</b>				
Share capital	33	799,847,800.00	799,847,800.00	799,847,800.00
Capital reserve	34	210,546,645.59	246,020,107.11	246,020,107.11
Specific reserve	36	—	—	—
Surplus reserve	37	191,938,695.80	175,137,881.43	150,375,506.17
Retained earnings	38	253,908,132.74	230,676,451.45	116,734,418.57
Total shareholders' equity		1,456,241,274.13	1,451,682,239.99	1,312,977,831.85
Total liabilities and shareholders' equity		2,905,156,285.93	3,641,137,320.12	3,549,018,497.82

These financial statements were approved by the Board of Directors of the Company on 13 March 2019.

**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 130 to 360 form part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017 (Restated)
I. Operating income	39	<b>6,295,211,233.17</b>	7,544,011,863.20
Less: Operating costs	39	<b>5,219,204,873.06</b>	6,091,742,089.27
Taxes and surcharges	40	<b>47,182,658.24</b>	56,171,838.42
Selling and distribution expenses		<b>65,437,830.08</b>	88,882,811.39
General and administrative expenses		<b>680,114,687.61</b>	719,285,891.33
Research and development expenses		<b>548,365.55</b>	4,473,315.80
Financial expenses	41	<b>64,642,631.05</b>	58,768,904.60
Including: Interest expenses		<b>63,439,390.73</b>	56,859,561.53
Interest income		<b>21,196,873.11</b>	15,418,051.93
Impairment losses	42	<b>5,952,236.89</b>	10,994,099.44
(Reversal)/accrual of credit losses	43	<b>(20,887,786.34)</b>	21,339,185.84
Add: Other income	45	<b>245,598,578.55</b>	172,760,209.25
Investment income	44	<b>33,997,206.05</b>	47,206,139.35
Including: Income from investments in associates and joint ventures		<b>33,105,794.71</b>	46,025,242.26
Gains from asset disposals	46	<b>14,450,461.79</b>	258,310.87
II. Operating profit		<b>527,061,983.42</b>	712,578,386.58
Add: Non-operating income	47	<b>16,362,624.82</b>	22,440,831.48
Less: Non-operating expenses	48	<b>15,037,393.11</b>	12,513,388.88
III. Profit before income tax		<b>528,387,215.13</b>	722,505,829.18
Less: Income tax expenses	49	<b>149,254,162.64</b>	182,923,532.54

The notes on pages 130 to 360 form part of these financial statements.

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017 (Restated)
IV. Net profit for the year		<b>379,133,052.49</b>	539,582,296.64
(1) Net profit classified by continuity of operations			
1. Net profit from continuing operations		<b>379,133,052.49</b>	539,582,296.64
2. Net profit from discontinued operations		—	—
(2) Net profit classified by ownership			
1. Non-controlling interests		<b>51,747,180.71</b>	111,022,479.93
2. Shareholders of the Company		<b>327,385,871.78</b>	428,559,816.71
V. Other comprehensive income, net of tax	51		
Other comprehensive income (net of tax)			
attributable to shareholders of the Company		<b>11,197,642.50</b>	(12,491,201.42)
(1) Items that will not be reclassified to profit or loss			
1. Remeasurement of defined benefit plan		<b>1,549,023.37</b>	238,499.48
2. Changes in fair value of investments			
in other equity instruments		<b>109,360.02</b>	—
(2) Item that may be reclassified subsequently to profit or loss:			
Translation differences arising from translation			
of foreign currency financial statements		<b>9,539,259.11</b>	(12,729,700.90)
Other comprehensive income (net of tax)			
attributable to non-controlling interests		<b>6,010,032.20</b>	(7,095,771.98)
VI. Total comprehensive income for the year		<b>396,340,727.19</b>	519,995,323.24
Attributable to:			
Shareholders of the Company		<b>338,583,514.28</b>	416,068,615.29
Non-controlling interests		<b>57,757,212.91</b>	103,926,707.95
VII. Earnings per share			
(I) Basic earnings per share	50(1)	<b>0.41</b>	0.54
(II) Diluted earnings per share	50(2)	<b>0.41</b>	0.54

For a business combination involving entities under common control which occurred in 2017, the net profit of the investees before being consolidated was RMB141,171.04.

For a business combination involving entities under common control which occurred in 2018, the net profit of the investees before being consolidated was RMB5,282,794.19. The net profit in 2017 was RMB18,610,976.39.

The notes on pages 130 to 360 form part of these financial statements.

# COMPANY INCOME STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017 (Restated)
I. Operating income	39	<b>852,262,694.49</b>	1,304,519,943.21
Less: Operating costs	39	<b>628,013,593.70</b>	1,079,072,601.13
Taxes and surcharges	40	<b>1,630,965.25</b>	4,500,781.55
Selling and distribution expenses		<b>975,666.37</b>	3,347,962.48
General and administrative expenses		<b>85,034,735.64</b>	81,939,736.73
Financial expenses	41	<b>20,588,032.81</b>	4,737,727.00
Including: Interest expenses		<b>33,901,300.31</b>	35,200,733.83
Interest income		<b>15,077,066.49</b>	30,023,149.75
(Reversal)/accrual of credit losses	43	<b>(19,629,478.61)</b>	2,158,280.10
Add: Investment income	44	<b>66,711,575.80</b>	146,608,854.14
Including: Income from investments in associates and joint ventures		<b>17,192,647.14</b>	30,563,987.65
II. Operating profit		<b>202,360,755.13</b>	275,371,708.36
Add: Non-operating income	47	<b>171,939.60</b>	91,466.96
Less: Non-operating expenses	48	<b>—</b>	1,500.00
III. Profit before income tax		<b>202,532,694.73</b>	275,461,675.32
Less: Income tax expenses	49	<b>34,524,551.07</b>	32,777,053.18
IV. Net profit for the year		<b>168,008,143.66</b>	242,684,622.14
Net profit from continuing operations		<b>168,008,143.66</b>	242,684,622.14
Net profit from discontinued operations		<b>—</b>	—
V. Other comprehensive income, net of tax	51	<b>—</b>	—
VI. Total comprehensive income for the year		<b>168,008,143.66</b>	242,684,622.14

The notes on pages 130 to 360 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017 (Restated)
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		6,994,240,260.56	8,055,657,224.68
Cash received relating to other operating activities		408,017,561.47	318,497,658.70
Sub-total of cash inflows		7,402,257,822.03	8,374,154,883.38
Payment for goods and services		4,562,220,825.39	5,062,938,917.99
Payment to and for employees		1,877,697,432.08	1,778,097,823.56
Payment of various taxes		345,579,004.56	462,296,322.27
Payment relating to other operating activities		181,852,251.53	329,043,215.19
Sub-total of cash outflows		6,967,349,513.56	7,632,376,279.01
Net cash inflow from operating activities	53(1)	434,908,308.47	741,778,604.37
II. Cash flows from investing activities:			
Investment returns received		9,953,177.02	1,234,400.00
Proceeds from investment income		107,540,291.55	21,731,796.60
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		42,178,459.86	15,841,603.35
Sub-total of cash inflows		159,671,928.43	38,807,799.95
Payment for acquisition of fixed assets, intangible assets and other long-term assets		1,186,776,823.90	623,285,652.06
Payment for acquisition of investments		67,586,826.12	84,950,710.64
Net payment for acquisition of subsidiaries	53(4)	—	16,602,812.36
Payment for business combinations involving enterprises under common control		44,187,000.00	29,065,900.00
Reduction of cash as a result of loss of control over subsidiaries		2,683,133.22	4,159,204.46
Reduction of cash as a result of assets swap	53(4)	105,488,801.47	—
Sub-total of cash outflows		1,406,722,584.71	758,064,279.52
Net cash outflow from investing activities		(1,247,050,656.28)	(719,256,479.57)

The notes on pages 130 to 360 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017 (Restated)
III. Cash flows from financing activities:			
Proceeds from investors		14,466,200.00	10,080,000.00
Proceeds from borrowings		756,814,357.07	630,375,625.62
Sub-total of cash inflows		771,280,557.07	640,455,625.62
Repayments of borrowings		457,688,184.01	150,397,890.91
Payment for profit distributions or interest		226,381,832.72	272,541,091.55
Including: Profits paid to non-controlling shareholders by subsidiaries		40,230,944.56	103,629,377.79
Payment for acquisition of non-controlling interests		23,165,878.50	24,266,396.47
Payments relating to other financing activities	53(5)	288,988.66	8,291,272.34
Sub-total of cash outflows		707,524,883.89	455,496,651.27
Net cash inflow from financing activities		63,755,673.18	184,958,974.35
IV. Effect of foreign exchange rate changes on cash and cash equivalents		4,879,069.54	(7,584,248.18)
V. Net (decrease)/increase in cash and cash equivalents	53(2)	(743,507,605.09)	199,896,850.97
Add: Cash and cash equivalents at the beginning of the year		1,857,779,421.60	1,657,882,570.63
VI. Cash and cash equivalents at the end of the year	53(3)	1,114,271,816.51	1,857,779,421.60

The notes on pages 130 to 360 form part of these financial statements.



# COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		1,184,327,266.77	1,343,114,998.15
Proceeds from other operating activities		35,948,034.89	10,828,710.48
Sub-total of cash inflows		1,220,275,301.66	1,353,943,708.63
Payment for goods and services		1,121,682,559.76	1,091,708,309.04
Payment to and for employees		60,202,331.74	42,329,733.13
Payment of various taxes		50,743,949.54	54,429,834.46
Payment relating to other operating activities		25,751,598.02	52,953,332.73
Sub-total of cash outflows		1,258,380,439.06	1,241,421,209.36
Net cash (out flow)/inflow from operating activities	53(1)	(38,105,137.40)	112,522,499.27
II. Cash flows from investing activities:			
Proceeds from assets swap	IV 5	28,380,000.00	—
Investment return received		176,971,959.06	45,986,966.25
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		50,495.00	—
Proceeds from other investing activities		460,612,410.00	98,000,000.00
Sub-total of cash inflows		666,014,864.06	143,986,966.25
Payment for acquisition of fixed assets, intangible assets and other long-term assets		12,743,500.43	7,489,426.55
Payment for acquisition of investments		532,990,798.63	—
Sub-total of cash outflows		545,734,299.06	7,489,426.55
Net cash inflow from investing activities		120,280,565.00	136,497,539.70

The notes on pages 130 to 360 form part of these financial statements.

## COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Note V	2018	2017
III. Cash flows from financing activities:			
Proceeds from borrowings		40,000,000.00	—
Sub-total of cash inflows		40,000,000.00	—
Repayments of borrowings		40,000,000.00	—
Payment for profit distributions or interest		160,734,104.75	138,040,925.68
Payments relating to other financing activities	53(5)	227,987,418.89	290,600,622.30
Sub-total of cash outflows		428,721,523.64	428,641,547.98
Net cash outflow from financing activities		(388,721,523.64)	(428,641,547.98)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		—	—
V. Net decrease in cash and cash equivalents	53(2)	(306,546,096.04)	(179,621,509.01)
Add : Cash and cash equivalents at the beginning of the year		929,531,026.45	1,109,152,535.46
VI. Cash and cash equivalents at the end of the year	53(3)	622,984,930.41	929,531,026.45

The notes on pages 130 to 360 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

Attributable to shareholders of the Company											
		Share capital	Capital reserve	Specific reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total	Non-controlling interests	Total shareholders' equity	
Notes											
I.	Balance as at 31 December 2017 (restated)	799,847,800.00	215,513,875.00	34,202,615.37	(34,414,839.74)	186,668,434.59	1,275,233,926.21	2,477,051,811.43	1,201,187,757.18	3,678,239,568.61	
II.	Changes in equity for the year										
1.	Total comprehensive income	—	—	—	11,197,642.50	—	327,385,871.78	338,583,514.28	57,757,212.91	396,340,727.19	
2.	Shareholders' contributions										
	– Contribution by owners	—	—	—	—	—	—	—	20,706,000.00	20,706,000.00	
	– Loss of control over a subsidiary	—	—	—	—	—	—	—	(2,582,530.44)	(2,582,530.44)	
	– Acquisition of non-controlling interests	V 38	—	—	—	—	(4,041,990.56)	(4,041,990.56)	(16,370,353.71)	(20,412,344.27)	
	– Effect of a business combination involving enterprises under common control	V 34	—	(196,713,383.50)	—	—	(9,829,606.40)	(88,466,457.62)	(295,009,447.52)	—	(295,009,447.52)
3.	Appropriation of profits	V 38									
	– Appropriation for surplus reserve	V 37	—	—	—	—	16,800,814.37	(16,800,814.37)	—	—	—
	– Distributions to shareholders		—	—	—	—	(127,975,648.00)	(127,975,648.00)	(103,949,532.63)	(231,925,180.63)	
4.	Specific reserve	V 36									
	– Accrued		—	—	29,556,279.33	—	—	29,556,279.33	13,603,929.14	43,160,208.47	
	– Utilised		—	—	(36,211,058.50)	—	—	(36,211,058.50)	(18,741,857.61)	(54,952,916.11)	
	Sub-total		—	(196,713,383.50)	(6,654,779.17)	11,197,642.50	6,971,207.97	90,100,961.23	(95,098,350.97)	(49,577,132.34)	(144,675,483.31)
III.	Balance as at 31 December 2018	799,847,800.00	18,800,491.50	27,547,836.20	(23,217,197.24)	193,639,642.56	1,365,334,887.44	2,381,953,460.46	1,151,610,624.84	3,533,564,085.30	

The notes on pages 130 to 360 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

Attributable to shareholders of the Company										
	Notes	Share capital	Capital reserve	Specific reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
I. Balance as at 31 December 2016		799,847,800.00	184,807,287.55	34,953,712.42	(25,401,128.77)	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: Adjustments resulted from business combination under common control		—	101,159,040.64	—	3,477,490.45	7,742,574.43	38,873,971.30	151,253,076.82	—	151,253,076.82
Effect of changes in accounting policies	II 32(2) (i)	—	—	—	—	—	(35,302,042.76)	(35,302,042.76)	(4,053,654.87)	(39,355,697.63)
Others		—	—	—	—	—	(10,716,877.30)	(10,716,877.30)	—	(10,716,877.30)
Balance as at 1 January 2017 (restated)		799,847,800.00	285,966,328.19	34,953,712.42	(21,923,638.32)	160,596,169.46	994,629,115.47	2,254,069,487.22	1,231,966,205.67	3,486,035,692.89
II. Changes in equity for the year										
1. Total comprehensive income		—	—	—	(12,491,201.42)	—	428,559,816.71	416,068,615.29	103,926,707.95	519,995,323.24
2. Shareholders' contributions										
– Contribution by owners		—	—	—	—	—	—	—	10,080,000.00	10,080,000.00
– Loss of control over a subsidiary	V 34	—	(10,667,240.11)	—	—	—	—	(10,667,240.11)	(4,616,827.74)	(15,284,067.85)
– Acquisition of non-controlling interests	V 34	—	(6,074,990.49)	—	—	—	—	(6,074,990.49)	(18,191,405.98)	(24,266,396.47)
– Effect of business combination under common control	V 34	—	(53,710,222.59)	—	—	—	—	(53,710,222.59)	(19,842,677.41)	(73,552,900.00)
3. Appropriation of profits	V 38									
– Appropriation for surplus reserve	V 37	—	—	—	—	26,072,265.13	(26,072,265.13)	—	—	—
– Distributions to shareholders		—	—	—	—	—	(121,882,740.84)	(121,882,740.84)	(103,629,377.79)	(225,512,118.63)
4. Specific reserve	V 36									
– Accrued		—	—	30,680,443.91	—	—	—	30,680,443.91	19,241,221.86	49,921,665.77
– Utilised		—	—	(31,431,540.96)	—	—	—	(31,431,540.96)	(17,746,089.38)	(49,177,630.34)
Sub-total		—	(70,452,453.19)	(751,097.05)	(12,491,201.42)	26,072,265.13	280,604,810.74	222,982,324.21	(30,778,448.49)	192,203,875.72
III. Balance as at 31 December 2017 (Restated)		799,847,800.00	215,513,875.00	34,202,615.37	(34,414,839.74)	186,668,434.59	1,275,233,926.21	2,477,051,811.43	1,201,187,757.18	3,678,239,568.61

The notes on pages 130 to 360 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2018

(Expressed in Renminbi Yuan)

	Notes	Share capital	Capital reserve	Surplus reserve	Specific reserve	Retained earnings	Total equity
I.	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
II.	Changes in equity for the year						
1.	Total comprehensive income	—	—	—	—	168,008,143.66	168,008,143.66
2.	Shareholders' contributions						
	– Effect of business combination under common control	V 34	—	(35,473,461.52)	—	—	(35,473,461.52)
3.	Appropriation of profits						
	– Appropriation for surplus reserve	V 37	—	—	16,800,814.37	—	(16,800,814.37)
	– Distributions to shareholders	V 38	—	—	—	(127,975,648.00)	(127,975,648.00)
4.	Specific reserve	V 36					
	– Accrued		—	—	—	525,000.00	—
	– Utilised		—	—	—	(525,000.00)	—
	Sub-total		—	(35,473,461.52)	16,800,814.37	—	23,231,681.29
III.	Balance as at 31 December 2018	799,847,800.00	210,546,645.59	191,938,695.80	—	253,908,132.74	1,456,241,274.13

The notes on pages 130 to 360 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2017

(Expressed in Renminbi Yuan)

	Notes	Share capital	Capital reserve	Surplus reserve	Specific reserve	Retained earnings	Total equity
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: Effect of changes in accounting policies	II 32(2) (ii)	—	—	—	—	5,308,355.76	5,308,355.76
Others		—	—	—	—	(10,716,877.30)	(10,716,877.30)
II. Balance as at 1 January 2017 (Restated)		799,847,800.00	246,020,107.11	150,375,506.17	—	116,734,418.57	1,312,977,831.85
III. Changes in equity for the year							
1. Total comprehensive income		—	—	—	—	242,684,622.14	242,684,622.14
2. Appropriation of profits							
— Appropriation for surplus reserve	V 37	—	—	24,762,375.26	—	(24,762,375.26)	—
— Distributions to shareholders	V 38	—	—	—	—	(103,980,214.00)	(103,980,214.00)
3. Specific reserve	V 36						
— Accrued		—	—	—	219,102.00	—	219,102.00
— Utilised		—	—	—	(219,102.00)	—	(219,102.00)
Sub-total		—	—	24,762,375.26	—	113,942,032.88	138,704,408.14
IV. Balance as at 31 December 2017 (Restated)		799,847,800.00	246,020,107.11	175,137,881.43	—	230,676,451.45	1,451,682,239.99

The notes on pages 130 to 360 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## I. COMPANY STATUS

Guangdong Yueyun Transportation Company Limited (the “Company”) was established on 28 December 1999 as a limited company under the name of Guangdong Yuedi Communications Company Limited (“Yuedi Communications”) by Guangdong Provincial Highway Construction Company Limited, Guangdong Communication Enterprise Investment Company Limited, Guangdong Province Road & Bridge Construction Development Company Limited, Guangdong Weisheng Transportation Enterprise Company Limited and Guangdong Guantong Expressway Assets Management Company Limited. On 25 December 2000, Guangdong Yuedi Communications Company Limited was converted to a joint stock limited company under the approval of the People’s Government of Guangdong Municipality Yue Ban Han [2000] No. 685 and Economic and Trade Commission of Guangdong Province Yue Jing Mao Jian Du [2000] No. 1057. On 1 April 2002, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong Yuedi Communications Company Limited was renamed as Guangdong South China Logistics Enterprise Limited. The registered capital of the Company was RMB292,187,322.00. On 5 August 2013, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong South China Logistics Enterprise Limited was renamed as Guangdong Yueyun Transportation Company Limited.

In 2005, according to the shareholders’ resolution of year 2004 and the revised Company’s Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB1 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 RMB417,641,867.00 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 RMB626,462,800.00 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 RMB281,810,000.00 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 RMB799,847,800.00 accordingly.

The Company and its subsidiaries (the “Group”) is a comprehensive transportation service group in Guangdong Province. The principal business of the Group mainly include travel service including road passenger transportation, auxiliary services and expressway service zones operation services. In addition, the Group also engaged in construction material supply and logistics service and other business in the reporting period.

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

The Group's 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, are adopted according to the specific characteristics of the Group's operations. Please refer to the relevant notes to the accounting policies.

### 1 Basis of preparation

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

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

### 2 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2018, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

The financial statements have 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

(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

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

##### (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.

**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)**

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 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.

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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****6 Preparation of consolidated financial statements (Continued)****(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.

**(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.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 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.

### 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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****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, share capital and etc.

**(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.

**(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.

## NOTES TO THE FINANCIAL STATEMENTS

(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)

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.

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.

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

### 10 Financial instruments (Continued)

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

##### (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.

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 10 Financial instruments *(Continued)*

##### *(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.

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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****10 Financial instruments (Continued)****(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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 10 Financial instruments (Continued)

##### (6) Impairment (Continued)

###### *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.

###### *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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****10 Financial instruments (Continued)****(6) Impairment (Continued)***Significant increases in credit risk (Continued)*

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. Unless the Group is able to obtain reasonable and well-founded information at no cost or effort to demonstrate that credit risk has not increased significantly since the initial recognition, although it exceeded the payment term agreed upon in the contract for 30 days.

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.

*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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 10 Financial instruments *(Continued)*

##### *(6) Impairment (Continued)*

###### *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 the financial assets 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.

##### *(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.

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

**(5) Inventory count system**

The Group maintains a perpetual inventory system.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****12 Long-term equity investments (Continued)****(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. The Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income, except for the amount actually paid at the time of the investment or the cash dividends or profits that have been declared but not paid in the price.

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 FINANCIAL STATEMENTS

(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 in joint ventures and associates, 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 and distributions to shareholders ("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 owners' 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.

## 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 FINANCIAL STATEMENTS

(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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****14 Fixed assets**

(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.

(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 FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 17 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II. (19)). 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
Software	5 – 10
Coastline use right	48
Passenger service licenses	Indefinite
Station franchise operating rights	38
Toll bridge franchise operating rights	28
Trade mark rights	10
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 live 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 FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 17 Intangible assets (Continued)

The Station franchise operating rights 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 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 rights 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 28 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 FINANCIAL STATEMENTS

(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
- other non-current assets

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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****19 Impairment of assets other than inventories and financial assets (Continued)**

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.

**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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 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.

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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****22 Revenue (Continued)**

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 22 Revenue (Continued)

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.

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.

##### (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

Sales of construction materials is the selling 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).

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

### 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 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.

##### (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.

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 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.

##### (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).

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

**(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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 27 Employee benefits (Continued)

##### (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 to shareholders

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

#### 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.

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

Notes 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. 2, 3, 4, 5, 7, 8, 10, 11, 12, 13, 14 and 15 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;
- (ii) Note VIII. 2: Fair value measurement.

**32 Changes in significant accounting policies****(1) Description and reasons of the changes**

The MOF issued the following revised accounting standards and interpretations in 2017, 2018 and 2019:

- 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 (Caikuai [2018] No.15) and related interpretation
- Notice on Revision of the 2018 Consolidated Illustrative Financial Statements (Caikuai [2019] No.1)

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



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 32 Changes in significant accounting policies *(Continued)*

##### *(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 “previous revenue standard”).

Under previous 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.

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.

**II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)****32 Changes in significant accounting policies (Continued)****(2) Major impact of changes in accounting policies (Continued)****(i) New revenue standard (Continued)**

- 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.
- 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 previous 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.
- For sales of convenience store goods, petroleum and gasoline, under previous 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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 32 Changes in significant accounting policies (Continued)

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

###### (i) New revenue standard (Continued)

- For Taiping interchange assets operation revenue, under previous 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 completes the provision of service when vehicles pay the fee and pass through Taiping interchange and revenue is recognised at the same time.
- For sales of construction materials, under previous 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 and the company statement of financial position as at 31 December 2018 are analysed as follows:

	(Decrease)/increase in the line items as a result of applying new accounting policies	
	The Group	The Company
	RMB	RMB
Liabilities:		
Advances from customers	(40,781,584.69)	(28,770,335.75)
Contract liabilities	40,781,584.69	28,770,335.75

- 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 year ended 31 December 2018 and shareholders' equity as at 31 December 2017.

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

### 32 Changes in significant accounting policies *(Continued)*

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

##### *(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 “previous financial instruments standards” in 2014).

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

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 previous financial instruments standards. Under 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.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 32 Changes in significant accounting policies *(Continued)*

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

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

The new financial instruments standards replace the “incurred loss” model in the previous 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 previous 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 FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 32 Changes in significant accounting policies (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 previous 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:

The Group	As at 1 January 2018 RMB	As at 1 January 2017 RMB
Loss allowance under previous 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
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
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
Loss allowance under new financial instruments standards		
– Accounts receivable	114,389,948.74	99,821,047.07
– Other receivables	85,606,476.35	92,043,668.82
<b>Total</b>	<b>199,996,425.09</b>	<b>191,864,715.89</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 32 Changes in significant accounting policies (Continued)

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

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

The Group 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 net profit for the year ended 31 December 2017 and the Group'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 shareholders' equity before adjustment):

	2017	2017	2017
		Ending balance	Opening balance
The Group	Net profit	of shareholders'	of shareholders'
	RMB	equity	equity
Net profit and shareholders' equity			
before adjustment	545,892,561.14	3,723,905,530.74	3,525,391,390.52
Accounting policy change:			
New financial instruments standards	(6,310,264.50)	(45,665,962.13)	(39,355,697.63)
Net profit and shareholders' equity			
after adjustment	539,582,296.64	3,678,239,568.61	3,486,035,692.89



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

### 32 Changes in significant accounting policies (Continued)

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

##### (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.

##### (iv) Presentation of financial statements

The Group has prepared financial statements for the year ended 31 December 2018 in accordance with the presentation format of the financial statements specified in Caikuai [2018] No.15 and related interpretation and Caikuai [2019] No.1. The Group has applied the new presentation requirements (except for sequence of items) retrospectively.

Affected assets and liabilities items in the consolidated and the company statement of financial position 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 year ended 31 December 2017:

The research and development expenses recorded in “General and administrative expenses” is now recorded separately as “Research and development expenses”.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## III. TAXATION

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

Tax type	Tax basis	Tax rate
Value added tax (VAT)	Income from sale of goods (Note 1,4)	17% or 16%, 13%, 11% or 10%
VAT	Transportation income (Note 2,4)	11% or 10%, 3%, 0%, exempted
VAT	Income from cargo storage and rescue service	6%
VAT	Service income derived from highway facilities and other auxiliary services (Note 3,4)	11% or 10%, 6%, 5%
VAT	Income from construction contracts and toll income (Note 3,4)	11% or 10%, 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%
Corporate income tax	Taxable profit (Note 5)	25%, 20%, 15%
Hong Kong profits tax	Assessable profit (Note 6)	16.5%

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

Note 2: According to "The Announcement of Implementation Measures on Value Added Tax Pilot Scheme including Railway Transport and Postal Service Sectors" (Cai shui [2013] No. 106) and "The Implementation Measures of the Pilot of Changing from Business Tax into Value-added Tax for Transportation Industry and Certain Modern Service Industries" issued by MOF and National Tax Bureau, before 30 April 2016, the Group's subsidiaries that meet the conditions of levying VAT instead of business tax pilot shall apply the VAT rates. For domestic subsidiaries engaged in cross-border transportation, the cross-border transportation revenues from The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited are exempted from VAT and the cross-border transportation revenues from Guangdong Yue Li Jia Passenger Transport Company apply zero VAT rate. For the subsidiaries engaged in domestic transportation, part of them apply the simplified calculation method with tax levy rate of 3% for VAT calculation purpose and the rest apply the general calculation method with tax rate of 11%.

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### III. TAXATION (CONTINUED)

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

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

Note 4: 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 5: 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 RMB500,000 (RMB500,000 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 RMB500,000 to RMB1,000,000, the Small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 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.

The Group's subsidiaries Foshan City Yueyun Hexing Transportation Co., Ltd., Zhaoqing City Yueyun Logistics Co., Limited, Yangchun City's Third Motor Transportation Co., Ltd., Guangdong Gangtong Vehicles Transportation Company Limited, Zhongshan City Yueyun Tongxing Transportation Co., Ltd., Zhongshan City Yueyun Airport Express Passenger Traffic Co., Limited, Shaoguan City Xi'an Traffic Travel Agency Co., Ltd., Shaoguan Polycom Motor Vehicles Driving Training Co., Ltd., Meizhou Vehicle Materials Supply Co., Ltd. and Qingyuan Yueyun Vehicles Transportation Co., Ltd. Guangzhou Passenger Transportation Branch meet the conditions of small-scaled minimal profit enterprise.

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

Except for the above mentioned companies, the income tax rate applicable to the Company and each of its mainland subsidiaries is 25% for both 2017 and 2018.

Note 6: The applicable Hong Kong profits tax rate for the year of 2017 and 2018 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).

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 FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

#### 1 The subsidiaries of the Group as at the end of 2018 and 2017

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
1	Guangdong Highway Media Company Limited (Former name: Guangdong New Way Advertising Company Limited)	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 33,000,000.00	100	100	Established
2	Yueyun Transportation (HK) Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Material Logistics services	HKD 1,500,000.00	100	100	Established
3	Guangdong Top-E Expressway Service Zone Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 100,000,000.00	95.56	95.56	Business combinations involving enterprises under common control
4	Guangdong Tongyi Landscape Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 20,000,000.00	100	100	Business combinations involving enterprises under common control
5	Guangdong Jindaoda Expressway Economic Development Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Expressway services	RMB 10,000,000.00	100	100	Business combinations involving enterprises under common control
6	The Motor Transport Company of Guangdong and Hong Kong Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 9,000,000.00	62	62	Business combinations involving enterprises under common control
7	Gang Tong (HK) Motor Transport Company Limited	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 500,000.00	100	100	Business combinations involving enterprises under common control
8	Guangdong Yue Li Jia Passenger Transport Company (Hong Kong)	Overseas subsidiary	Hong Kong China	Hong Kong China	Cross-border transportation services	HKD 10,000.00	70	70	Business combinations involving enterprises under common control
9	The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 25,000,000.00	62	62	Business combinations involving enterprises under common control
10	Shenzhen Yuegang Transport Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 10,500,000.00	100	100	Business combinations involving enterprises under common control
11	Guangdong Yue Li Jia Passenger Transport Company (Guangzhou)	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 3,500,000.00	70	70	Business combinations involving enterprises under common control
12	Guangdong Province Transportation Engineering Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Real Estate leasing	RMB 17,040,000.00	100	100	Business combinations involving enterprises under common control

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 1 The subsidiaries of the Group as at the end of 2018 and 2017 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
13	Guangdong Vehicles Transportation Group Co., Ltd. ("GVTG")	Domestic and non-financial	Guangdong China	Guangdong China	Investment and domestic transportation	RMB 10,000,000.00	100	100	Business combinations involving enterprises under common control
14	Guangdong Province Guangyang High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,000,000.00	67	67	Business combinations involving enterprises under common control
15	Guangdong Province Yangjiang City Guangyang High-Speed Railway Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 500,000.00	67	67	Business combinations involving enterprises under common control
16	Guangdong Yueyun Second Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 5,000,000.00	51	51	Business combinations involving enterprises under common control
17	Foshan City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 20,000,000.00	51	51	Business combinations involving enterprises under common control
18	Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 100,000,000.00	59.62	59.62	Business combinations involving enterprises under common control
19	Zhaoqing City Yueyun Logistics Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Logistics services	RMB 2,000,000.00	100	100	Business combinations involving enterprises under common control
20	Foshan City Sanshui District Yueyun Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 20,000,000.00	51	51	Business combinations involving enterprises under common control
21	Guangdong Yueyun Traffic Rescue Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Traffic Rescue	RMB 60,000,000.00	100	100	Business combinations involving enterprises under common control
22	Guangdong Province Guangshen High Speed Coach Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 6,000,000.00	51	51	Business combinations involving enterprises under common control
23	Shenzhen City Shenwei Lighter Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 12,000,000.00	55	55	Business combinations involving enterprises under common control
24	Guangdong Yueyun Langri Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 156,750,000.00	51	51	Business combinations involving enterprises note under common control

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 1 The subsidiaries of the Group as at the end of 2018 and 2017 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
25	Yangchun Langri Fuels Co., Ltd..	Domestic and non-financial	Guangdong China	Guangdong China	Fuel retail	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
26	Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 500,000.00	60	100	Business combinations involving enterprises under common control
27	Yangjiang City Yueyun Langri Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 74,824,000.00	65	65	Business combinations involving enterprises under common control
28	Yangchun City's Third Motor Transportation Co., Ltd. (Note 1)	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB580,000.00	70	100	Business combinations involving enterprises under common control
29	Yangchun City Yueyun Langri Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 150,000.00	100	100	Business combinations involving enterprises under common control
30	Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
31	Yangxi County Yueyun Langri Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 20,000,000.00	100	100	Business combinations involving enterprises under common control
32	Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,682,600.00	51	51	Business combinations involving enterprises under common control
33	Zhongshan City Eastern Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 630,000.00	100	100	Business combinations involving enterprises under common control
34	Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	70	70	Business combinations involving enterprises under common control
35	Guangzhou City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 503,000.00	51	51	Business combinations involving enterprises under common control
36	Guangzhou City Zengcheng Automobile Passenger Traffic Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 30,000,000.00	60	60	Business combinations involving enterprises under common control

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 1 The subsidiaries of the Group as at the end of 2018 and 2017 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
37	Guangdong Yuntong Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
38	Heyuan City Yueyun Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	53.26	53.26	Business combinations involving enterprises not under common control
39	Foshan City Yueyun Hexing Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 1,020,408.00	51	51	Business combinations involving enterprises under common control
40	Yangjiang City Yueyun Langri Fuels Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Fuel retail	RMB 3,000,000.00	100	100	Established
41	Yangjiang City Yueyun Langri Logistics Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	General freight	RMB 2,000,000.00	100	100	Established
42	Long Chuan County Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 9,500,000.00	100	100	Established
43	Yangjiang City Yueyun Langri Property Development Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Property development	RMB 23,033,300.00	100	100	Established
44	Guangdong Gangtong Vehicles Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Cross-border transportation services	HKD 5,000,000.00	100	100	Established
45	Yangjiang City Yueyun Langri International Travel Service Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism services	RMB 500,000.00	100	100	Established
46	Heyuan City Chengnan Freight Station Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Station services	RMB 19,500,000.00	100	100	Established
47	Zijin County Yueyun Property Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property management	RMB 6,500,000.00	100	100	Established
48	Guangzhou Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 58,000,000.00	100	100	Established
49	Heyuan City Yueyun Tongxing Travel Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 1,000,000.00	100	100	Business combinations involving enterprises not under common control
50	Heyuan City Yueyun Lvdu Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 58,000,000.00	100	100	Business combinations involving enterprises not under common control



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 1 The subsidiaries of the Group as at the end of 2018 and 2017 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
51	Yangjiang City Yangzha New Image Public Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,000,000.00	100	100	Business combinations involving enterprises not under common control
52	Yueyun Transportation Technology Service (Guangzhou) Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Material Logistics Services	RMB 9,800,000.00	100	100	Established
53	Yangjiang City Yueyun Langri Advertising Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Advertising Services	RMB 3,000,000.00	100	100	Established
54	Lianping County Zhongxin Town Yueyun Property Leasing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 5,445,000.00	100	100	Established
55	Heyuan City Yuancheng District Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	100	100	Established
56	Lianping County Yueyun Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 500,000.00	100	100	Established
57	Dongyuan County Dengta Town Yueyun Property Lease Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Property Management	RMB 500,000.00	100	100	Established
58	Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 50,000,000.00	61.75	61.75	Business combinations involving enterprises not under common control
59	Yangshan County Yueyun Motor Inspection Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Inspection	RMB 400,000.00	100	100	Business combinations involving enterprises not under common control
60	Qingyuan City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	100	100	Business combinations involving enterprises not under common control
61	Shaoguan Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 142,779,951.08	59.70	59.70	Business combinations involving enterprises not under common control
62	Shaoguan Polycom Motor Vehicles Driving Training Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Motor Driver Training	RMB 1,000,000.00	100	100	Business combinations involving enterprises not under common control
63	Shaoguan City Xi'an Traffic Travel Agency Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism Services	RMB 300,000.00	100	100	Business combinations involving enterprises not under common control

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 1 The subsidiaries of the Group as at the end of 2018 and 2017 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
64	Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 110,000.00	100	100	Business combinations involving enterprises not under common control
65	Shixing County Junxing City-Village Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 1,000,000.00	51	51	Business combinations involving enterprises not under common control
66	Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	51	51	Business combinations involving enterprises not under common control
67	Zhaoqing Yueyun Travel Service Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Tourism Services	RMB 1,000,000.00	100	100	Established
68	Yangjiang Yueyun Langri Vehicles Driving Training Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Motor Driver Training	RMB 3,000,000.00	100	100	Established
69	Shanwei Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 35,000,000.00	51	51	Business combinations involving enterprises not under common control
70	Lufeng Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 40,000,000.00	100	100	Business combinations involving enterprises not under common control
71	Haifeng Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 30,000,000.00	100	100	Business combinations involving enterprises not under common control
72	Shanwei City Yueyun New Energy Vehicles Service Co., Ltd. (Former name: Shanwei General Coach Termial Co., Ltd.)	Domestic and non-financial	Guangdong China	Guangdong China	Station Service	RMB 110,000.00	100	100	Business combinations Involving enterprises not under common control
73	Shanwei City Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 580,000.00	85	85	Business combinations involving enterprises not under common control
74	Guangdong Yueyun Development Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Commercial Service	RMB 13,000,000.00	100	100	Established
75	Haifeng Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 20,000,000.00	100	100	Established
76	Luhe Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 20,000,000.00	100	100	Established

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 1 The subsidiaries of the Group as at the end of 2018 and 2017 (Continued)

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)	Established or acquired
77	Lufeng Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 10,000,000.00	100	100	Established
78	Heyuan Yue Payment Technology Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Development and sale of smart cards and electronic payment systems	RMB 1,000,000.00	70	70	Business combinations involving enterprises not under common control
79	Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 2,000,000.00	100	100	Business combinations involving enterprises not under common control
80	Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 3,000,000.00	100	100	Business combinations involving enterprises not under common control
81	Guangzhou City Yueyun Langri Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	100	100	Established
82	Yangjiang City Hailing Yueyun Langri Travel Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	65	65	Established
83	Zhaoqing City Yueyun Car Leasing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Rentals of Vehicles	RMB 1,000,000.00	100	100	Established
84	Foshan Nanhai Yueyun Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 10,000,000.00	70	70	Established
85	Guangdong Yangjiang Vehicles Transportation Goup Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 47,321,932.19	100	100	Business combinations involving enterprises under common control
86	Yangjiang City Tongguwan Vehicles Comprehensive Performance Testing Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Testing	RMB 1,000,000.00	100	100	Business combinations involving enterprises under common control
87	Huaji County Yueyun City-Village Public Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 2,930,700.00	100	100	Business combinations involving enterprises not under common control
88	Yangshan County Shuntong Transportation Services Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic Transportation	RMB 300,000.00	100	100	Business combinations involving enterprises not under common control

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

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

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

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage %	Voting rights percentage %
1	Maoming City Dianbai District Yueyun Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 18,000,000.00	51	51
2	Shaoguan City Guangshao Motor Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 5,000,000.00	51	51

#### 3 Subsidiaries acquired through business combination under common control during the year

No.	Full name of the subsidiary	Type	Incorporation place	Registered place	Business nature	Registered capital	Shareholding percentage %	Voting rights percentage %
1	Meizhou Yueyun Vehicles Transportation Company Limited	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 38,000,000.00	100	100
2	Meizhou Vehicles Passenger Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 4,500,000.00	100	100
3	Xingning Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 4,000,000.00	100	100
4	Dapu Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,200,000.00	100	100
5	Wuhua Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 4,500,000.00	100	100
6	Pingyuan Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 3,200,000.00	100	100
7	Jiaoling Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 2,600,000.00	100	100
8	Meizhou Jiangnan Vehicles Transportation Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Domestic transportation	RMB 2,000,000.00	100	100
9	Meizhou Vehicle Materials Supply Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Sales of vehicle spare parts	RMB 1,000,000.00	100	100
10	Dapu Yueyun Motor Inspection Co., Ltd.	Domestic and non-financial	Guangdong China	Guangdong China	Vehicle Testing	RMB 5,000,000.00	51	51

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

None.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

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

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 swap with Yueyun Investment Management the 100% equity of the Group's subsidiary, Guangdong South China Logistics Enterprise Company Limited and its subsidiaries ("South China Logistics Enterprise Group") by way of transferring to the Group 100% equity of Meizhou Yueyun Group. The price difference of RMB28,380,000.00 will be satisfied by a cash payment from Yueyun Investment Management to the Group. On 30 March 2018, the transaction was completed and the Group lost control over South China Logistics Enterprise Group. The acquisition date is 30 March 2018 when the Group took control over Meizhou Yueyun Group. 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. Meizhou Yueyun Group includes ten companies, as mentioned in Note IV.3.

The carrying amounts of the assets and liabilities in the financial statements of ultimate holding company are as follows:

	Business combination date RMB	31 December 2017 RMB
Current assets	113,823,967.83	100,801,245.58
Fixed assets	181,528,844.29	164,160,098.63
Construction in progress	15,752,336.56	31,156,736.53
Intangible assets	87,076,171.86	87,489,956.71
Other non-current assets	33,768,914.70	31,633,232.03
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	141,206,531.59
Less: Non-controlling interests	(2,386,717.90)	(2,450,270.31)
Net assets acquired	143,779,032.69	138,756,261.28

According to the Accounting Standards for Business Enterprises, the Group and Meizhou Yueyun Group have been regarded as the same reporting entity since the beginning of control by GCGC, and the Group therefore, retrospectively adjusted the comparative figures of the consolidated financial statements according to Note II.6 (2).

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

None.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

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

As mentioned in Note IV. 5, 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 operating results and cash flow of South China Logistics Enterprise Group before the divestiture are included in the consolidated income statement and consolidated cash flow statement for the year.

Nineteen subsidiaries of the Group ceased operation and were deregistered in 2018 and excluded from the consolidation scope, which include Guangdong Yunxing Property Management Co., Ltd., Chaozhou City Yueyun High Speed Passenger Traffic Co., Ltd., Deqing County Yueyun Bus Terminal Co., Ltd., Zhaoqing City Yueyun Logistics Co., Ltd., Yangjiang Yangdong Bus Terminal Co., Ltd., Yangjiang Yangdong Yueyun Langri Passenger Transportation Co., Ltd., Yangjiang Yueyun Langri Taxi Co., Ltd., Yangjiang City Yueyun Langri Vehicles Technology Service Co., Ltd., Yangchun City Chunjiang Vehicles Transportation Co., Ltd., Yangchun Taiyun Property Management Co., Ltd., Yangjiang High-tech Zone Yueyun Langri Enterprise Co., Ltd., Guangzhou City Yueyun Public Bus Co., Ltd., Guangzhou City Yueyun Auto Maintenance Co., Ltd., Renhua County Feima Passenger Transportation Co., Ltd., Shaoguan City Zhixin Trade Co., Ltd., Lechang City Pingshi Yongtong Vehicles Transportation Co., Ltd., Haifeng County Yueyun Coach Terminal Co., Ltd., Qingyuan City Jinyu Vehicles Lease Co., Ltd., Shantou office of Guangdong Province Guangshan High Speed Passenger Traffic Co., Ltd.. The operating results and cash flows of the above companies before the date of deregistration have been included in the Group's consolidated income statement and consolidated cash flow statement for the year.

In 2018, the Group disposed of part or all of its investments in Guangzhou Yueyun Software Technology Co., Ltd. and Shaoguan City Xi'an Tourist Transportation Co., Ltd. respectively, which were no longer included in the Group's consolidation scope. The operating results and cash flows of the two companies prior to the disposal of the investments are included in the Group's consolidated income statement and consolidated cash flow statement for the current year.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Material non-controlling interests

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

2018

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to NCI during the year RMB	Dividends paid to NCI during the year RMB	Other changes during the year RMB	Accumulated NCI at the end of the year RMB
The Motor Transport Company of Guangdong and Hong Kong Limited	38%	7,489,182.43	(2,344,892.14)	5,533,146.13	125,098,151.96
Foshan City Yueyun Public Transportation Co., Ltd.	49%	9,840,039.67	(9,000,000.00)	568,139.89	150,751,950.85
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	40.38%	7,311,135.13	—	(20,669,689.13)	132,877,482.09
Guangdong Yueyun Langri Co., Ltd.	49%	15,604,638.30	(53,767,700.00)	8,765,969.61	162,316,000.24
Heyuan City Yueyun Motor Transportation Co., Ltd.	46.74%	(1,315,548.67)	(7,386,099.62)	(559,967.49)	109,741,579.77
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	38.25%	10,511,227.54	(14,342,633.72)	(649,561.50)	177,118,697.41
Guangdong Shaoguan Vehicles Transportation Group Co., Ltd.	40.30%	6,557,393.08	(11,714,988.02)	870,592.52	117,964,032.01



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Material non-controlling interests (Continued)

2017

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to NCI during the year RMB (Restated)	Dividends paid to NCI during the year RMB (Restated)	Other changes during the year RMB (Restated)	Accumulated NCI at the end of the year RMB (Restated)
The Motor Transport Company of Guangdong and Hong Kong Limited	38%	10,363,838.08	(2,064,638.51)	(6,930,359.46)	114,420,715.54
Foshan City Yueyun Public Transportation Co., Ltd.	49%	11,365,661.30	(7,605,987.81)	(314,793.83)	149,343,771.29
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	46.38%	16,949,749.60	(11,594,848.93)	(7,480,723.94)	146,236,036.09
Guangdong Yueyun Langri Co., Ltd.	49%	27,240,518.49	(15,361,500.00)	(11,676,789.20)	191,713,092.33
Heyuan City Yueyun Motor Transportation Co., Ltd.	49%	7,822,070.24	(6,717,496.37)	(128,477.18)	119,003,195.55
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	38.25%	16,670,521.45	(17,210,925.00)	710,884.61	181,599,665.09
Guangdong Shaoguan Vehicles Transportation Group Co., Ltd.	40.30%	3,786,776.44	(34,484,841.28)	(10,425,193.79)	122,251,034.43

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Material non-controlling interests (Continued)

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

2018							
	The Motor Transport Company of Guangdong and Hong Kong Limited RMB	Foshan City Yueyun Public Transportation Co., Ltd. RMB	Zhaoqing City Yueyun Motor Transportation Co., Ltd. RMB	Guangdong Yueyun Langri Co., Ltd. RMB	Heyuan City Yueyun Motor Transportation Co., Ltd. RMB	Qingyuan Yueyun Vehicles Transportation Co., Ltd. RMB	Shaoguan Vehicles Transportation Group Co., Ltd. RMB
Current assets	200,947,200.85	46,768,606.22	145,719,877.67	193,802,905.63	135,281,064.39	257,919,693.37	97,572,999.44
Non-current assets	210,949,036.89	572,091,310.78	306,162,541.72	562,405,011.37	496,453,049.22	554,482,265.66	343,893,486.64
Total assets	411,896,237.74	618,859,917.00	451,882,419.39	756,207,917.00	631,734,113.61	812,401,959.03	441,466,486.08
Current liabilities	66,802,010.50	153,224,688.52	70,269,923.00	289,160,317.60	190,228,220.29	210,100,309.41	130,345,614.74
Non-current liabilities	8,152,596.62	158,253,375.51	56,331,296.55	162,377,066.12	211,119,663.58	139,086,429.76	42,923,642.07
Total liabilities	74,954,607.12	311,478,064.03	126,601,219.55	451,537,383.72	401,347,883.87	349,186,739.17	173,269,256.81
Operating income	273,364,441.82	362,524,135.81	398,097,798.93	568,106,086.70	223,160,224.63	450,590,687.45	213,346,270.31
Net profit for the year	19,208,926.03	20,118,768.94	16,191,762.27	31,208,250.49	(2,621,777.50)	27,482,848.19	15,254,955.57
Total comprehensive income	34,289,241.41	20,118,768.94	16,191,762.27	31,208,250.49	(2,621,777.50)	30,005,635.05	14,460,500.41
Net cash inflow from operating activities	43,590,041.80	104,756,074.01	63,951,235.41	83,252,174.25	32,988,858.12	31,352,980.81	29,160,507.35

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Material non-controlling interests (Continued)

	2017						
	The Motor Transport Company of Guangdong and Hong Kong Limited RMB (Restated)	Foshan City Yueyun Public Transportation Co., Ltd. RMB (Restated)	Zhaoqing City Yueyun Motor Transportation Co., Ltd. RMB (Restated)	Guangdong Yueyun Langri Transportation Co., Ltd. RMB (Restated)	Heyuan City Yueyun Motor Transportation Co., Ltd. RMB (Restated)	Qingyuan Yueyun Vehicles Transportation Co., Ltd. RMB (Restated)	Shaoguan Vehicles Transportation Group Co., Ltd. RMB (Restated)
Current assets	188,365,476.47	78,764,160.27	100,050,892.87	176,183,229.08	118,258,822.94	341,561,540.37	124,481,343.03
Non-current assets	189,322,375.94	321,339,149.30	285,905,524.40	561,539,009.08	524,896,702.41	446,539,257.50	322,286,273.98
<b>Total assets</b>	<b>377,687,852.41</b>	<b>400,103,309.57</b>	<b>385,956,417.27</b>	<b>737,722,238.16</b>	<b>643,155,525.35</b>	<b>788,100,797.87</b>	<b>446,767,617.01</b>
Current liabilities	61,182,176.08	81,541,449.95	71,125,362.40	218,060,023.92	147,381,564.32	167,329,929.67	131,121,561.50
Non-current liabilities	8,001,617.27	13,778,652.91	2,828,000.00	147,951,456.67	253,270,284.75	145,957,226.03	36,925,282.97
<b>Total liabilities</b>	<b>69,183,793.35</b>	<b>95,320,102.86</b>	<b>73,953,362.40</b>	<b>366,011,480.59</b>	<b>400,651,849.07</b>	<b>313,287,155.70</b>	<b>168,046,844.47</b>
Operating income	241,476,502.88	359,467,595.90	438,041,646.24	586,812,448.18	237,197,365.36	434,589,953.69	213,652,674.05
Net profit for the year	26,997,026.51	23,195,227.13	34,675,340.11	54,265,589.20	16,101,486.65	43,587,050.98	23,314,250.06
Total comprehensive income	6,602,255.81	23,195,227.13	34,675,340.11	54,265,589.20	16,101,486.65	43,973,263.07	23,314,250.06
Net cash inflow from operating activities	13,786,480.53	73,480,293.99	82,064,980.73	91,551,617.81	28,099,868.25	56,550,657.85	37,146,067.28

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

As at 31 December 2018, overseas subsidiaries translate all asset and liability items in their balance sheet by applying the spot exchange rate at the year end as HKD1 against RMB0.8762; and all items in the income statement and items reflecting the distributions of profits are translated by applying the average exchange rate during the year as HKD1 against RMB0.8561.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### V. NOTES TO THE FINANCIAL STATEMENTS

#### 1 Cash at bank and on hand

##### *The Group*

	31 December 2018			31 December 2017		
	Original currency	Exchange Rate	Amount in RMB	Original currency	Exchange Rate	Amount in RMB (Restated)
Cash on hand						
RMB	—	—	11,868,538.09	—	—	15,827,024.46
HKD	75,888.95	0.8762	66,493.90	127,559.91	0.8359	106,627.33
Deposits with banks						
RMB	—	—	530,583,119.21	—	—	1,243,986,381.04
USD	2,675,135.86	6.8632	18,359,992.43	2,653,028.98	6.5342	17,335,421.96
HKD	133,070,109.62	0.8762	116,596,030.05	65,365,966.30	0.8359	54,639,411.23
Deposits in GCG Finance (Note 1)						
RMB	—	—	436,797,642.83	—	—	525,884,555.58
Other monetary funds (Note 2)						
RMB	—	—	22,927,723.12	—	—	17,070,086.90
HKD	6,800,000.00	0.8762	5,958,160.00	1,800,000.00	0.8359	1,504,620.00
<b>Total</b>			<b>1,143,157,699.63</b>			<b>1,876,354,128.50</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

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

##### The Company

	31 December 2018			31 December 2017		
	Original currency	Exchange Rate	RMB	Original currency	Exchange Rate	RMB
Cash on hand						
RMB	—	—	—	—	—	142.39
Deposits with banks						
RMB	—	—	341,821,007.21	—	—	641,042,216.86
Deposits in GCG Finance (Note1)						
RMB	—	—	281,163,923.20	—	—	288,488,667.20
<b>Total</b>			<b>622,984,930.41</b>			<b>929,531,026.45</b>

Note 1: Deposits in Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") refer to deposits in GCG Finance, a wholly-owned subsidiary of GCGC (Note VI. 6(1) (a)). GCG Finance is a company incorporated in the PRC and a non-banking financial institution with the financial institution licence issued by the China Banking Regulatory Commission.

Note 2: Other monetary funds as at 31 December 2017 and 31 December 2018 comprise security deposits for letter of guarantee, bid bonds, Bank acceptance bond, tourism quality deposits and property maintenance funds.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 2 Bills and accounts receivable

		The Group		The Company	
	Notes	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Bills receivable	(1)	310,802.08	36,505,607.26	—	—
Accounts receivable	(2)	426,222,382.00	837,980,469.99	194,620,429.69	386,465,754.68
<b>Total</b>		<b>426,533,184.08</b>	<b>874,486,077.25</b>	<b>194,620,429.69</b>	<b>386,465,754.68</b>

#### (1) Bills receivable

##### (a) Classification of bills receivable:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB	31 December 2018 RMB	31 December 2017 RMB
Bank acceptance bills	310,802.08	36,505,607.26	—	—

- (b) The Group and the Company had no pledged bank acceptance bills, undue discounted bank acceptance bills, undue endorsed bank acceptance bills or acceptance bills transferred to accounts receivable due to drawers' nonperformance on 31 December 2018 and 31 December 2017. The bills receivable above are due within one year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 2 Bills and accounts receivable (Continued)

#### (2) Accounts receivable

##### (a) Accounts receivable by customer type:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Amounts due from related parties	31,833,400.67	186,900,760.50	18,286,453.85	223,839,230.29
Amounts due from third parties	443,437,929.34	765,469,658.23	203,439,751.12	207,507,028.98
Sub-total	475,271,330.01	952,370,418.73	221,726,204.97	431,346,259.27
Less: Provision for bad and doubtful debts	(49,048,948.01)	(114,389,948.74)	(27,105,775.28)	(44,880,504.59)
<b>Total</b>	<b>426,222,382.00</b>	<b>837,980,469.99</b>	<b>194,620,429.69</b>	<b>386,465,754.68</b>



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 2 Bills and accounts receivable (Continued)

#### (2) Accounts receivable (Continued)

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

	The Group		The Company	
	31 December	31 December	31 December	31 December
Aging	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Within 3 months (inclusive)	364,964,328.60	699,313,041.91	171,912,573.77	294,606,115.89
Over 3 months but within 6 months (inclusive)	21,554,047.37	46,185,762.43	1,233,935.04	9,301,842.98
Over 6 months but within 1 year (inclusive)	24,531,868.92	40,365,403.58	2,050,783.26	17,694,240.35
Over 1 year but within 2 years (inclusive)	18,064,655.08	25,854,291.48	8,565,427.77	5,050,021.00
Over 2 years but within 3 years (inclusive)	7,071,593.91	14,090,448.43	3,784,171.13	4,879,044.80
Over 3 years	39,084,836.13	126,561,470.90	34,179,314.00	99,814,994.25
Sub-total	475,271,330.01	952,370,418.73	221,726,204.97	431,346,259.27
Less: Provision for bad and doubtful debts	(49,048,948.01)	(114,389,948.74)	(27,105,775.28)	(44,880,504.59)
<b>Total</b>	<b>426,222,382.00</b>	<b>837,980,469.99</b>	<b>194,620,429.69</b>	<b>386,465,754.68</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 2 Bills and accounts receivable (Continued)

#### (2) Accounts receivable (Continued)

(c) The analysis of the movements of provision for bad and doubtful debts for the year is as follows:

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Balance at the beginning of the year	(114,389,948.74)	(99,821,047.07)	(44,880,504.59)	(41,470,161.92)
Charge into income statement during the year	36,518,790.86	(14,586,741.94)	17,774,729.31	(3,410,342.67)
Written-off during the year	604,626.80	14,602.80	—	—
Deductions resulting from consolidation scope change	28,217,583.07	3,237.47	—	—
Balance at the end of the year	(49,048,948.01)	(114,389,948.74)	(27,105,775.28)	(44,880,504.59)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 3 Prepayments

(1) The ageing analysis of prepayments is as follows:

##### The Group

	31 December 2018				31 December 2017			
	Amount	Percentage (%)	Provision for	Carrying	Amount	Percentage (%)	Provision for	Carrying
	RMB		impairment	amount	RMB		impairment	amount
			RMB	RMB	(Restated)	(Restated)	RMB	(Restated)
Within 1 year (inclusive)	223,834,440.15	31.73	—	223,834,440.15	325,456,708.72	40.43	—	325,456,708.72
Over 1 year but within								
2 years (inclusive)	4,669,680.91	0.66	—	4,669,680.91	2,284,525.26	0.28	—	2,284,525.26
Over 2 years but within								
3 years (inclusive)	292,555.44	0.04	—	292,555.44	2,089,506.40	0.26	—	2,089,506.40
Over 3 years	476,729,066.38	67.57	(474,069,652.45)	2,659,413.93	475,215,749.77	59.03	(474,087,111.82)	1,128,637.95
<b>Total</b>	<b>705,525,742.88</b>	<b>100.00</b>	<b>(474,069,652.45)</b>	<b>231,456,090.43</b>	<b>805,046,490.15</b>	<b>100.00</b>	<b>(474,087,111.82)</b>	<b>330,959,378.33</b>

##### The Company

	31 December 2018				31 December 2017			
	Amount	Percentage (%)	Provision for	Carrying	Amount	Percentage (%)	Provision for	Carrying
	RMB		impairment	amount	RMB		impairment	amount
			RMB	RMB			RMB	RMB
Within 1 year (inclusive)	6,662,894.37	1.38	—	6,662,894.37	117,033,332.90	19.79	—	117,033,332.90
Over 1 year but within								
2 years (inclusive)	—	—	—	—	771.95	—	—	771.95
Over 2 years but within								
3 years (inclusive)	—	—	—	—	2,661.68	—	—	2,661.68
Over 3 years	474,425,929.94	98.62	(474,065,484.25)	360,445.69	474,426,021.57	80.21	(474,065,484.25)	360,537.32
<b>Total</b>	<b>481,088,824.31</b>	<b>100.00</b>	<b>(474,065,484.25)</b>	<b>7,023,340.06</b>	<b>591,462,788.10</b>	<b>100.00</b>	<b>(474,065,484.25)</b>	<b>117,397,303.85</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 3 Prepayments (Continued)

#### (2) Prepayments by nature

	The Group		The Company	
Nature	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Prepayment for goods	575,316,327.01	694,964,842.75	479,991,212.75	590,039,019.97
Prepayment for fuel purchase	25,893,663.12	18,092,463.22	—	—
Prepayment for insurance premium	61,782,622.64	51,832,141.63	—	—
Prepayment for contract fee	11,806,134.12	11,295,050.33	—	—
Others	30,726,995.99	28,861,992.22	1,097,611.56	1,423,768.13
Sub-total	705,525,742.88	805,046,490.15	481,088,824.31	591,462,788.10
Less: Provision	(474,069,652.45)	(474,087,111.82)	(474,065,484.25)	(474,065,484.25)
<b>Total</b>	<b>231,456,090.43</b>	<b>330,959,378.33</b>	<b>7,023,340.06</b>	<b>117,397,303.85</b>

- (3) As at 31 December 2018 and 31 December 2017, individually significant prepayments aged over 3 years mainly include a payment for purchase of materials of RMB474,065,484.25. The Company has filed a lawsuit and prevailed in previous year, and made full provision for the prepayment in previous year in view of the poor financial condition of the debtors.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 4 Other receivables

		The Group		The Company	
Items	Notes	31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		RMB	RMB	RMB	RMB
			(Restated)		(Restated)
Interest receivable	(1)	20,899.19	21,570.80	—	8,849.96
Dividends receivable	(2)	8,586,686.22	1,086,686.22	8,523,000.00	80,102,134.48
Others	(3)	445,168,283.60	410,710,701.70	93,451,256.21	603,372,750.88
<b>Total</b>		<b>453,775,869.01</b>	<b>411,818,958.72</b>	<b>101,974,256.21</b>	<b>683,483,735.32</b>

#### (1) Interest receivable by category:

		The Group		The Company	
Item		31 December	31 December	31 December	31 December
		2018	2017	2018	2017
		RMB	RMB	RMB	RMB
Term deposit		20,899.19	21,570.80	—	8,849.96

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 4 Other receivables (Continued)

#### (2) Dividends receivable

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Investees				
Shaoguan Libao Technology Co., Ltd.	1,086,686.22	1,086,686.22	—	—
Southern United Assets and Equity Exchange Company Limited	7,500,000.00	—	7,500,000.00	—
The Motor Transport Company of Guangdong and Hong Kong (Hong Kong) Limited	—	—	1,023,000.00	1,023,000.00
Guangdong South China Logistics Enterprise Limited	—	—	—	79,079,134.48
<b>Total</b>	<b>8,586,686.22</b>	<b>1,086,686.22</b>	<b>8,523,000.00</b>	<b>80,102,134.48</b>

As at 31 December 2018 and 31 December 2017, dividends receivable aged over 1 year of RMB1,086,686.22 is due from Shaoguan Libao Technology Co., Ltd..

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 4 Other receivables (Continued)

##### (3) Others

(a) Analysis by customer type is as follows:

	The Group		The Company	
	31 December	31 December	31 December	31 December
Customer type	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Amounts due from related parties	45,430,397.64	93,767,478.76	71,075,354.32	585,562,068.40
Amounts due from third parties	502,731,828.26	402,549,699.29	57,769,354.35	55,058,884.24
Sub-total	548,162,225.90	496,317,178.05	128,844,708.67	640,620,952.64
Less: Provision for bad and doubtful debts	(102,993,942.30)	(85,606,476.35)	(35,393,452.46)	(37,248,201.76)
<b>Total</b>	<b>445,168,283.60</b>	<b>410,710,701.70</b>	<b>93,451,256.21</b>	<b>603,372,750.88</b>

(b) The ageing analysis is as follows:

	The Group		The Company	
	31 December	31 December	31 December	31 December
Aging	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Within 1 year (inclusive)	281,671,100.36	220,452,227.09	20,523,014.49	212,343,313.22
Over 1 year but within 2 years (inclusive)	64,333,510.20	74,510,375.25	28,831,313.78	3,429,189.87
Over 2 years but within 3 years (inclusive)	21,817,128.52	22,590,349.89	1,068,555.03	299,737,912.91
Over 3 years	180,340,486.82	178,764,225.82	78,421,825.37	125,110,536.64
Sub-total	548,162,225.90	496,317,178.05	128,844,708.67	640,620,952.64
Less: Provision for bad and doubtful debts	(102,993,942.30)	(85,606,476.35)	(35,393,452.46)	(37,248,201.76)
<b>Total</b>	<b>445,168,283.60</b>	<b>410,710,701.70</b>	<b>93,451,256.21</b>	<b>603,372,750.88</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 4 Other receivables (Continued)

##### (3) Others (Continued)

(c) The analysis of the movements of provision for bad and doubtful debts for the year is as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Balance at the beginning of the year	(85,606,476.35)	(92,043,668.82)	(37,248,201.76)	(38,500,264.33)
Charge into income statement during the year	(15,631,004.52)	(3,541,275.76)	1,854,749.30	1,252,062.57
Written-off during the year	1,117,396.54	28,915.83	—	—
Deductions resulting from consolidation scope change	337,310.17	9,949,552.40	—	—
Transfer from long-term receivables (Note V.7)	(3,211,168.14)	—	—	—
Balance at the end of the year	(102,993,942.30)	(85,606,476.35)	(35,393,452.46)	(37,248,201.76)

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 4 Other receivables (Continued)

#### (3) Others (Continued)

##### (d) Other receivables by nature:

	The Group		The Company	
Nature	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Amount due from related parties				
Amount due from subsidiaries	—	—	62,967,315.47	560,218,178.50
Deposits	29,693,976.09	36,071,054.07	8,012,295.41	13,532,349.11
Others	15,736,421.55	57,696,424.69	95,743.44	11,811,540.79
Amount due from third parties				
Deposits	112,294,579.08	80,432,106.83	14,424,742.01	16,750,192.09
Government grants	170,603,252.59	115,271,720.00	—	—
Staff advances	18,503,784.60	24,697,055.89	—	—
Insurance compensation relating to traffic accidents	15,138,291.32	17,025,108.22	—	—
Others	186,191,920.67	165,123,708.35	43,344,612.34	38,308,692.15
Sub-total	548,162,225.90	496,317,178.05	128,844,708.67	640,620,952.64
Less: Provision for bad and doubtful debts	(102,993,942.30)	(85,606,476.35)	(35,393,452.46)	(37,248,201.76)
<b>Total</b>	<b>445,168,283.60</b>	<b>410,710,701.70</b>	<b>93,451,256.21</b>	<b>603,372,750.88</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 5 Inventories

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Nature				
Raw materials	25,558,175.36	36,114,983.24	—	—
Finished goods	68,719,797.05	142,697,784.35	301,983.43	14,650,695.09
Property under development	15,878,232.96	15,310,244.78	—	—
Others	203,571.02	1,112,839.68	—	—
Sub-total	110,359,776.39	195,235,852.05	301,983.43	14,650,695.09
Less: Provision for impairment of inventories	(3,419,791.26)	(5,000,701.26)	—	—
<b>Total</b>	<b>106,939,985.13</b>	<b>190,235,150.79</b>	<b>301,983.43</b>	<b>14,650,695.09</b>

### 6 Other current assets

	The Group	
	31 December 2018 RMB	31 December 2017 RMB
Deductable input VAT	57,713,774.09	33,649,017.97
Prepaid corporate income tax	1,706,614.77	462,201.19
Prepaid business tax and surcharges	1,426,426.35	1,420,374.41
Sub-total	60,846,815.21	35,531,593.57
Less: Provision for impairment	—	—
<b>Total</b>	<b>60,846,815.21</b>	<b>35,531,593.57</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 7 Long-term receivables

The Group			
	Note	31 December 2018 RMB	31 December 2017 RMB (Restated)
Finance leases		9,814,854.98	15,053,686.51
Less: Unearned finance income		(1,727,872.79)	(4,754,026.42)
Payment on behalf of third parties		—	28,539,484.21
Total		8,086,982.19	38,839,144.30
Less: Due within one year		(2,140,743.97)	(35,020,156.77)
Provision for bad and doubtful debts	V.4(c)	—	3,211,168.14
<b>Total</b>		<b>5,946,238.22</b>	<b>7,030,155.67</b>

An analysis of the above finance leases receivable is as follows:

The Group			
		31 December 2018 RMB	31 December 2017 RMB
Amount due from lessees		9,814,854.98	15,053,686.51
Less: Unearned finance income		(1,727,872.79)	(4,754,026.42)
Finance leases		8,086,982.19	10,299,660.09

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 7 Long-term receivables (Continued)

The total future minimum lease receipts under finance leases after the balance sheet date are as follows:

	The Group	
	31 December	31 December
	2018	2017
	RMB	RMB
Within 1 year (inclusive)	3,414,026.95	5,774,421.46
Over 1 year but within 2 years (inclusive)	3,038,958.19	4,706,011.96
Over 2 years but within 3 years (inclusive)	1,720,751.94	3,266,815.96
Over 3 years	1,641,117.90	1,306,437.13
Sub-total	9,814,854.98	15,053,686.51
Less: Unearned finance income	(1,727,872.79)	(4,754,026.42)
<b>Total</b>	<b>8,086,982.19</b>	<b>10,299,660.09</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Long-term equity investments

		The Group		The Company	
	Notes	31 December 2018 RMB	31 December 2017 RMB	31 December 2018 RMB	31 December 2017 RMB
Investments in subsidiaries	(1)	—	—	1,615,200,356.88	1,139,275,429.77
Investments in joint ventures	(2)	132,314,395.07	76,744,877.65	7,386,439.50	—
Investments in associates	(3)	249,675,913.51	255,268,907.35	89,185,035.79	93,746,638.15
<b>Total</b>		<b>381,990,308.58</b>	<b>332,013,785.00</b>	<b>1,711,771,832.17</b>	<b>1,233,022,067.92</b>

(1) As at 31 December 2018, the Company's investments in subsidiaries were as follows:

Investee	Investment cost RMB	Balance at the beginning of the year RMB	Increase/ (decrease) RMB	Balance at the end of the year RMB	Shareholding percentage %	Voting rights percentage %	Cash dividend for the year RMB
Guangdong Top-E Expressway Service Zone Company Limited	98,831,192.00	98,831,192.00	—	98,831,192.00	95.56%	95.56%	42,533,065.81
Guangdong South China Logistics Enterprise Limited	—	207,632,494.21	(207,632,494.21)	—	—	—	—
Guangdong Highway Media Company Limited	19,800,000.00	19,800,000.00	—	19,800,000.00	60.00%	60.00%	1,650,424.56
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited	25,319,234.10	25,319,234.10	—	25,319,234.10	62.00%	62.00%	—
The Motor Transport Company of Guangdong and Hong Kong Limited	120,196,428.59	120,196,428.59	—	120,196,428.59	62.00%	62.00%	3,911,278.48
Yueyun Transportation (HK) Company Limited	1,323,750.00	1,323,750.00	—	1,323,750.00	100.00%	100.00%	—
GVTG	72,506,914.89	666,172,330.87	(587,931,233.17)	78,241,097.70	100.00%	100.00%	—
Meizhou City Yueyun Motor Transportation Co., Ltd.	143,779,032.69	—	143,779,032.69	143,779,032.69	100.00%	100.00%	495,279.52
Maoming City Dianbai District Yueyun Vehicles Transportation Co., Ltd.	9,180,000.00	—	9,180,000.00	9,180,000.00	51.00%	51.00%	—
Shaoguan Yueyun Vehicles Transportation Co., Ltd.	175,702,676.32	—	175,702,676.32	175,702,676.32	59.69%	59.69%	—
Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	3,403,136.63	—	3,403,136.63	3,403,136.63	51.00%	51.00%	—

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(1) As at 31 December 2018, the Company's investments in subsidiaries were as follows: (Continued)

Investee	Investment cost RMB	Balance at the beginning of the year RMB	Increase/ (decrease) RMB	Balance at the end of the year RMB	Shareholding percentage %	Voting rights percentage %	Cash dividend for the year RMB
Foshan City Yueyun Public Transportation Co., Ltd.	128,000,000.00	—	128,000,000.00	128,000,000.00	51.00%	51.00%	—
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	101,009,712.00	—	101,009,712.00	101,009,712.00	59.62%	59.62%	—
Yangjiang Yueyun Langri Vehicles Driving Training Co., Ltd.	78,580,658.61	—	78,580,658.61	78,580,658.61	51.00%	51.00%	—
Guangdong Yueyun Traffic Rescue Co., Ltd.	60,000,000.00	—	60,000,000.00	60,000,000.00	100.00%	100.00%	—
Foshan City Sanshui District Yueyun Traffic Co., Ltd.	20,579,475.24	—	20,579,475.24	20,579,475.24	51.00%	51.00%	—
Heyuan City Yueyun Motor Transportation Co., Ltd.	158,611,418.41	—	158,611,418.41	158,611,418.41	53.26%	53.26%	—
Guangzhou Yueyun Vehicles Transportation Co., Ltd.	58,000,000.00	—	58,000,000.00	58,000,000.00	100.00%	100.00%	—
Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd.	267,307,909.96	—	267,307,909.96	267,307,909.96	61.75%	61.75%	—
Shanwei Yueyun Vehicles Transportation Co., Ltd.	67,334,634.63	—	67,334,634.63	67,334,634.63	51.00%	51.00%	—
<b>Total</b>	<b>1,609,466,174.07</b>	<b>1,139,275,429.77</b>	<b>475,924,927.11</b>	<b>1,615,200,356.88</b>			<b>48,590,048.37</b>

Detailed information about the subsidiaries is set out in Note IV.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(2) As at 31 December 2018, the Group's investments in joint ventures were as follows:

Name of investee	Investment cost RMB	Balance at the beginning of the year RMB	Increase/ (Decrease) RMB	Balance at the end of the year RMB	Shareholding percentage (%)	Voting rights Percentage (%)	Cash dividend for the year RMB
(i) Material joint ventures							
Guangdong Zhong Yue Tong Oil Products Operation Company Limited ("Zhong Yue Tong")	15,000,000.00	37,964,570.88	(2,912,640.71)	35,051,930.17	50%	50%	14,085,000.00
Guangdong Zhongyou Top-E Energy Trading Company Limited ("Zhongyou Top-E Energy")	30,000,000.00	28,505,751.45	1,425,163.53	29,930,914.98	50%	50%	—
Zhuhai Yuegong Xinhai Transportation Co., Ltd. (Note 1)	51,298,272.47	4,176,180.22	49,235,818.80	53,411,999.02	39%	39%	—
Sub-total	96,298,272.47	70,646,502.55	47,748,341.62	118,394,844.17			14,085,000.00
(ii) Immaterial joint ventures							
Roadnet Innovaues Media	5,906,850.00	5,585,531.94	(146,128.14)	5,439,403.80	50%	50%	—
Guangdong Yuehuahui Business Management Co., Ltd. ("Guangdong Yuehuahui") (Note 2)	9,000,000.00	—	7,386,439.50	7,386,439.50	50%	50%	—
Others	1,500,000.00	512,843.16	580,864.44	1,093,707.60	50%	50%	—
Sub-total	16,406,850.00	6,098,375.10	7,821,175.80	13,919,550.90			—
<b>Total</b>	<b>112,705,122.47</b>	<b>76,744,877.65</b>	<b>55,569,517.42</b>	<b>132,314,395.07</b>			<b>14,085,000.00</b>

Note 1: At the end of this year, the Group held 39% equity interests in Zhuhai Yuegong Xinhai Transportation Co., Ltd. According to the articles of association of Zhuhai Yuegong Xinhai Transportation Co., Ltd., the resolution of the shareholders' meeting must be accepted unanimously by the shareholders. Consequently, Zhuhai Yuegong Xinhai Transportation Co., Ltd. is a joint venture of the Group. In 2018, the Group increased the capital injection in Zhuhai Yuegong Xinhai Transportation Co., Ltd. by RMB47.4 million, which was used for the investment to establish a joint venture company for Hong Kong-Zhuhai-Macao Bridge Port Shuttle bus Operation Project.

Note 2: At the end of this year, the Group held 50% equity interests in Guangdong Yuehuahui. According to the articles of association of Guangdong Yuehuahui, the shareholders exercise their voting rights in proportion to their contributions in the shareholders' meeting. The board of directors consists of five directors, three of whom are sent by the Group and two by third-party shareholders. The decision of the board of meetings shall be unanimously agreed by 2/3 of the board members. As a result, Guangdong Yuehuahui was recognized as a joint venture of the Company.



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Long-term equity investments (Continued)

(2) As at 31 December 2018, the Group's investments in joint ventures were as follows: (Continued)

All joint ventures of the Group are non-listed companies. As at 31 December 2018, the ability to transfer fund from above joint ventures to the Group is not restricted (2017: nil).

As at 31 December 2018, the Company's investment in a joint venture was as follows:

Name of investee	Investment cost RMB	Balance at the beginning of the year RMB	Increase RMB	Balance at the end of the year RMB	Shareholding percentage (%)	Voting rights Percentage (%)	Cash dividend for the year RMB
Guangdong Yuehuahui	9,000,000.00	—	7,386,439.50	7,386,439.50	50%	50%	—

(i) Details of the Group's material joint ventures are as follows:

Name of enterprise	Principal Place of business	Registered place	Registered capital RMB	Shareholding Percentage	Business nature	Strategic to the Group's activities
Zhong Yue Tong	Guangdong China	Guangdong China	30,000,000.00	50%	Wholesale of oil	Yes
Zhongyou Top-E Energy	Guangdong China	Guangdong China	60,000,000.00	50%	Wholesale of oil	Yes
Zhuhai Yuegong Xinhai Transportation Co., Ltd.	Guangdong China	Guangdong China	10,000,000.00	39%	Road transportation	Yes

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(2) As at 31 December 2018, the Group's investments in joint ventures were as follows: (Continued)

(i) Details of the Group's material joint ventures are as follows: (Continued)

The following table sets out the key financial information of the Group's material joint venture, adjusted for fair value adjustments at the time of acquisition and the differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investment in the joint venture when using the equity method:

	Zhong Yue Tong	
	31 December 2018 RMB	31 December 2017 RMB
Current assets	61,710,002.83	70,234,301.43
Including: Cash and cash equivalents	51,006,551.29	50,634,803.65
Non-current assets	9,277,478.73	8,682,675.94
Total assets	70,987,481.56	78,916,977.37
Current liabilities	(883,621.22)	(2,987,835.61)
Total liabilities	(883,621.22)	(2,987,835.61)
Net assets	70,103,860.34	75,929,141.76
Group's share of net assets	35,051,930.17	37,964,570.88
Carrying amount of interests in joint venture	35,051,930.17	37,964,570.88
	2018 RMB	2017 RMB
Operating income	206,472,871.91	173,348,659.19
Financial expenses	92,892.88	794,034.13
Income tax expense	7,521,353.32	9,411,647.56
Net profit	22,344,718.58	28,197,158.67
Other comprehensive income	—	—
Total comprehensive income	22,344,718.58	28,197,158.67
Dividends received from joint ventures	14,085,000.00	15,000,000.00

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(2) As at 31 December 2018, the Group's investments in joint ventures were as follows: (Continued)

(i) Details of the Group's material joint ventures are as follows: (Continued)

	Zhongyou Top-E Energy	
	31 December 2018 RMB	31 December 2017 RMB
Current assets	46,860,801.57	41,322,947.74
Including: Cash and cash equivalents	34,869,519.00	40,443,600.28
Non-current assets	18,594,904.00	15,994,928.26
Total assets	65,455,705.57	57,317,876.00
Current liabilities	(5,593,875.61)	(306,373.10)
Total liabilities	(5,593,875.61)	(306,373.10)
Net assets	59,861,829.96	57,011,502.90
Group's share of net assets	29,930,914.98	28,505,751.45
Carrying amount of interests in joint venture	29,930,914.98	28,505,751.45
	2018 RMB	2017 RMB
Operating income	93,715,486.36	—
Net financial (income)/expenses	(450,452.23)	145,264.10
Income tax expense	—	—
Net income/(loss)	2,850,327.05	(2,988,497.10)
Other comprehensive income	—	—
Total comprehensive income	2,850,327.05	(2,988,497.10)

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(2) As at 31 December 2018, the Group's investments in joint ventures were as follows: (Continued)

(i) Details of the Group's material joint ventures are as follows: (Continued)

	Zhuhai Yuegong Xinhai Transportation Co., Ltd.	
	31 December 2018 RMB	31 December 2017 RMB
Current assets	4,634,821.06	11,460,610.89
Including: Cash and cash equivalents	4,634,821.06	11,460,610.89
Non-current assets	132,689,135.58	—
Total assets	137,323,956.64	11,460,610.89
Current liabilities	(370,113.00)	(752,456.48)
Total liabilities	(370,113.00)	(752,456.48)
Net assets	136,953,843.64	10,708,154.41
Group's share of net assets	53,411,999.02	4,176,180.22
Carrying amount of interests in joint venture	53,411,999.02	4,176,180.22
	2018 RMB	2017 RMB
Operating income	—	—
Net financial net income	(349,970.17)	(944,205.89)
Net income/(loss)	4,711,657.28	708,154.42
Other comprehensive income	—	—
Total comprehensive income	4,711,657.28	708,154.42

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(2) As at 31 December 2018, the Group's investments in joint ventures were as follows: (Continued)

(ii) Details of immaterial joint ventures accounted for using the equity method is summarised as follows:

	The Group	
	31 December 2018 RMB	31 December 2017 RMB
Aggregate carrying amount of investments	13,919,550.90	6,098,375.10
Aggregate amount of share of		
– Net (loss)/profit	(1,896,105.70)	356,648.80
– Other comprehensive income	—	—
– Total comprehensive income	(1,896,105.70)	356,648.80

(3) As at 31 December 2018, the Group's investments in associates were as follows:

Investee	Investment cost RMB	Balance at the Beginning of the year RMB	Increase/ (decrease) RMB	Balance at the end of the year RMB	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
(i) Material associates							
Southern United Assets & Equity Exchange Co., Ltd.	20,000,000.00	71,130,210.64	(2,362,585.11)	68,767,625.53	25%	25%	17,500,000.00
Shenzhen Yueyun Investment Development Company Limited	48,590,602.00	48,272,583.90	635,540.25	48,908,124.15	20%	20%	—
Shantou City Automobile Passenger Traffic Center Co., Ltd.	25,206,264.00	25,310,070.23	(1,494,733.76)	23,815,336.47	35%	35%	—
Guangzhou City Tianhe Coach Terminal Co., Ltd.	2,000,000.00	20,757,945.14	3,636,992.48	24,394,937.62	20%	20%	—
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.	20,329,088.00	20,329,088.00	1,656,781.03	21,985,869.03	20%	20%	—
CNPC Yueyun Natural Gas Co. Ltd.	12,000,000.00	18,251,002.25	(639,703.58)	17,611,298.67	24%	24%	1,920,000.00
Sub-total	128,125,954.00	204,050,900.16	1,432,291.31	205,483,191.47			19,420,000.00

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Long-term equity investments (Continued)

(3) As at 31 December 2018, the Group's investments in associates were as follows: (Continued)

Investee	Investment cost RMB	Balance at the Beginning of the year RMB	Increase/ (decrease) RMB	Balance at the end of the year RMB	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
(ii) Immaterial associates							
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. (Note 4)	16,274,717.00	10,070,574.86	(10,070,574.86)	—	48%	48%	—
Shaoguan Danxia Mountain Travel Bus Co., Ltd.	9,721,622.64	9,629,559.88	2,043,107.26	11,672,667.14	49%	49%	—
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	6,000,000.00	9,571,050.19	844,011.84	10,415,062.03	30%	30%	600,000.00
Guangdong South Passenger Network Center Co., Ltd. ("Nanyuetong") (Note 1)	3,600,000.00	5,095,492.71	(377,145.83)	4,718,346.88	12%	12%	—
Guangdong Guangjiang High Speed Passenger Traffic Co., Ltd.	420,000.00	2,224,834.67	134,092.27	2,358,926.94	42%	42%	—
Guangdong Guangye Shaoyun Natural Gas Co., Ltd.	3,400,000.00	2,426,289.92	139,999.75	2,566,289.67	34%	34%	—
Guangdong Wangshangfei Logistics Technology Co., Ltd.	7,200,000.00	2,635,948.90	(456,828.11)	2,179,120.79	48%	48%	—
Lufeng Shenshan Expressway Company Limited	450,000.00	2,929,021.38	(339,663.19)	2,589,358.19	45%	45%	1,117,897.41
Shaoguan Libao Technology Co., Ltd.	1,418,462.00	1,655,210.83	(749,677.81)	905,533.02	42%	42%	147,000.00
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	800,000.00	1,674,586.47	10,736.62	1,685,323.09	40%	40%	—
Jiangmen Guangjiang High Speed Passenger Traffic Co., Ltd.	420,000.00	1,208,869.69	118,556.56	1,327,426.25	42%	42%	—
Others	4,171,351.00	2,096,567.69	1,678,100.35	3,774,668.04			591,259.65
Sub-total	53,876,152.64	51,218,007.19	(7,025,285.15)	44,192,722.04			2,456,157.06
<b>Total</b>	<b>182,002,106.64</b>	<b>255,268,907.35</b>	<b>(5,592,993.84)</b>	<b>249,675,913.51</b>			<b>21,876,157.06</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(3) As at 31 December 2018, the Company's investments in associates were as follows: (Continued)

Investee	Investment cost RMB	Balance at the beginning RMB	Increase/ (decrease) RMB	Balance at the end of the year RMB	Shareholding percentage (%)	Voting rights (%)	Cash dividend for the year RMB
(i) Material associates							
Southern United Assets and Equity							
Exchange Company Limited	20,000,000.00	71,130,210.64	(2,362,585.11)	68,767,625.53	25%	25%	17,500,000.00
Zhong Yue Tong (Note 2)	6,250,000.00	15,879,922.60	(1,268,212.42)	14,611,710.18	20.83%	20%	5,867,811.00
Sub-total	26,250,000.00	87,010,133.24	(3,630,797.53)	83,379,335.71			23,367,811.00
(ii) Immaterial associates							
Nanyuetong (Note 1)	3,600,000.00	5,095,492.71	(377,145.83)	4,718,346.88	12%	12%	—
Guangdong Yueyun Development Co., Ltd.	2,600,000.00	1,641,012.20	(553,659.00)	1,087,353.20	20%	20%	—
Sub-total	6,200,000.00	6,736,504.91	(930,804.83)	5,805,700.08			—
<b>Total</b>	<b>32,450,000.00</b>	<b>93,746,638.15</b>	<b>(4,561,602.36)</b>	<b>89,185,035.79</b>			<b>23,367,811.00</b>

Note 1: At the end of this year, the Company held 12% equity interests in Nanyuetong. According to the shareholders' agreement, the Company have rights of participation and decision in the board of director of Nanyuetong. Consequently, the Company have significant influence to Nanyuetong, and Nanyuetong is an associate of the Group and the Company.

Note 2: At the end of this year, the Company and Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, hold 20.83% and 29.17% equity interests in Zhong Yue Tong respectively. The Group holds a total of 50% equity interests in Zhong Yue Tong. Consequently, Zhong Yue Tong is a joint venture of the Group and an associate of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Long-term equity investments (Continued)

(3) As at 31 December 2018, the Group's investments in associates were as follows: (Continued)

Note 3: The Group equity account for the investments in associates. The Group ceased recognising its share of losses of the associates due to excess losses of the investee. As at 31 December 2018, the unrecognised share of losses of associates is as follows:

Investee	Accumulated unrecognised share of losses at the beginning of the year RMB	Recognised share of net (profits)/ losses during the year RMB	Accumulated unrecognised share of losses at the end of the year RMB
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	348,599.81	(12,969.71)	335,630.10
Qingyuan Kuaitong Car Lease Co., Ltd.	3,681.56	98,753.74	102,435.30
<b>Total</b>	<b>352,281.37</b>	<b>85,784.03</b>	<b>438,065.40</b>

Note 4: An associate of the Group, Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. went into liquidation in 2017 and completed the procedures by 31 December 2018. The Company's original investment costs were fully recovered.

Note 5: All associates of the Group and the Company are non-listed companies. As at 31 December 2018, the ability to transfer fund from the above associates to the Group is not restricted (2017: Nil).

(i) Details of the Group's material associates are as follows:

#### The Group

Name of associates	Principal place of business	Registered place	Registered capital	Shareholding percentage	Business nature	Strategic to the Group's activities
Southern United Assets and Equity Exchange Company Limited	Guangdong China	Guangdong China	RMB 80,000,000.00	25%	Property Exchange	Yes
Shenzhen Yueyun Investment Development Company Limited	Guangdong China	Guangdong China	RMB 30,000,000.00	20%	Passenger Terminal Operation	Yes
Shantou City Automobile Terminal Co., Ltd.	Guangdong China	Guangdong China	RMB 7,575,000.00	35%	Passenger Terminal Operation	Yes
Guangzhou City Tianhe Coach Terminal Co., Ltd.	Guangdong China	Guangdong China	RMB 10,000,000.00	20%	Station Services	Yes
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.	Hong Kong China	Hong Kong China	HKD 1,000,000.00	20%	Transportation	Yes
CNPC Yueyun Natural Gas Co. Ltd.	Guangdong China	Guangdong China	RMB 50,000,000.00	24%	Gas Wholesale and Retail	Yes



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(3) As at 31 December 2018, the Group's investments in associates were as follows: (Continued)

(i) Details of the Group's material associates are as follows: (Continued)

#### The Company

The material associates of the Company include Southern United Assets & Equity Exchange Co., Ltd. and Zhong Yue Tong. Detailed information of Southern United Assets and Equity Exchange Company Limited. is set out below, and detailed information of Zhong Yue Tong is set out in Note V. 8(2) (i).

	Southern United Assets and Equity Exchange Company Limited		Shenzhen Yuejun Investment Development Company Limited		Guangzhou City Tianhe Coach Terminal Co., Ltd.		Shantou City Automobile Terminal Co., Ltd.		CNGC Yuejun Natural Gas Co., Ltd.		Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.		Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Current assets	271,466,165.45	237,624,320.04	15,379,637.58	6,538,179.87	138,070,537.45	87,913,953.86	4,411,859.91	3,657,870.24	58,211,976.20	68,316,344.25	8,994,056.71	101,655,527.51	498,533,733.30
Non-current assets	58,667,646.68	68,853,756.80	239,723,801.61	246,627,811.45	98,627,429.91	131,096,072.64	80,407,428.58	81,776,683.24	28,051,221.99	28,964,270.98	100,950,098.31	—	606,427,629.08
Total assets	330,133,812.13	306,478,076.84	255,103,439.19	253,216,991.32	236,697,967.36	219,010,026.50	84,818,788.49	85,434,553.48	86,263,198.19	97,280,615.23	109,944,155.02	101,655,527.51	1,104,961,362.38
Current liabilities	(51,363,312.01)	(16,457,234.28)	(10,562,818.44)	(11,454,071.62)	(14,723,279.26)	(15,220,300.80)	(16,774,970.00)	(16,970,272.08)	(12,882,787.06)	(22,234,772.52)	(14,808.97)	(10,087.51)	(206,321,976.64)
Non-current liabilities	(3,700,000.00)	(5,530,000.00)	—	(400,000.00)	—	—	—	(90.97)	—	—	—	—	(6,700,000.00)
Total liabilities	(55,063,312.01)	(21,987,234.28)	(10,562,818.44)	(11,854,071.62)	(14,723,279.26)	(15,220,300.80)	(16,774,970.00)	(16,970,263.05)	(12,882,787.06)	(22,234,772.52)	(14,808.97)	(10,087.51)	(212,021,976.64)
Net assets	275,070,500.12	284,490,842.56	244,540,620.75	241,362,919.70	221,974,688.10	203,789,725.70	68,043,818.49	68,464,190.43	73,380,411.13	75,045,842.71	105,135,346.15	101,645,440.00	882,939,385.74
Group's share of net assets	68,767,625.53	71,130,210.64	48,908,124.15	48,272,383.90	24,384,937.62	20,757,945.14	23,815,336.47	23,982,466.65	17,611,296.67	18,251,022.25	21,985,869.03	20,329,088.00	205,463,191.47
Add: Debt difference of equity investments	—	—	—	—	—	—	—	1,347,603.58	—	—	—	—	1,347,603.58
Carrying amount of interests in associates	68,767,625.53	71,130,210.64	48,908,124.15	48,272,383.90	24,384,937.62	20,757,945.14	23,815,336.47	25,330,070.23	17,611,296.67	18,251,022.25	21,985,869.03	20,329,088.00	205,463,191.47
													204,050,900.16

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 8 Long-term equity investments (Continued)

(3) As at 31 December 2018, the Group's investments in associates were as follows: (Continued)

(i) Details of the Group's material associates are as follows: (Continued)

#### The Company (Continued)

	Southern United Assets and Equity Exchange Company Limited		Shenzhen Yueyun Investment Development Company Limited		Guangzhou City Tante Coach Terminal Co., Ltd.		Shantou City Automobile Terminal Co., Ltd.		CNPC Yueyun Natural Gas Co., Ltd.		Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.		Total
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	
Operating income	123,566,919.13	175,653,379.82	28,741,050.12	27,803,391.19	-	7,253,006.03	7,606,571.35	115,508,959.70	116,201,099.07	-	275,169,934.98	9,377.15	330,404,319.18
Net profit/(loss)	60,549,659.56	99,238,973.11	3,177,701.25	2,716,594.90	18,184,982.40	(420,371.94)	(404,071.94)	5,334,568.42	12,802,013.12	3,307,341.03	90,133,860.72	(4,228.28)	133,367,469.85
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	60,549,659.56	99,238,973.11	3,177,701.25	2,716,594.90	18,184,982.40	(420,371.94)	(404,071.94)	5,334,568.42	12,802,013.12	3,307,341.03	90,133,860.72	(4,228.28)	133,367,469.85
Dividends received from associates for the year	10,000,000.00	-	-	-	-	-	-	1,920,000.00	1,680,000.00	-	11,920,000.00	-	1,680,000.00

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 8 Long-term equity investments (Continued)

(3) As at 31 December 2018, the Group's investments in associates were as follows: (Continued)

(ii) Details of immaterial associates accounted for using the equity method are summarised as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB	31 December 2018 RMB	31 December 2017 RMB
Aggregate carrying amount of investments	44,192,722.04	51,218,007.19	5,805,700.08	6,736,504.91
Aggregate amount of share of				
	2018 RMB	2017 RMB	2018 RMB	2017 RMB
– Net profit/(loss)	709,852.78	1,267,339.83	(553,659.00)	(899,807.95)
– Other comprehensive income	—	—	—	—
– Total comprehensive income	709,852.78	1,267,339.83	(553,659.00)	(899,807.95)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 9 Investments in other equity instruments

	Note	The Group		The Company	
		2018 RMB	2017 RMB	2018 RMB	2017 RMB
Available for sale financial instrument at fair value	(1)	1,217,588.22	563,228.22	1,377,412.45	777,412.45

##### (1) Investments in other equity instruments at fair value

As at 31 December 2018, an analysis of Investments in other equity instruments measured at fair value by the Group is as follows:

	2018 RMB	2017 RMB
Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. (Note 1)	308,228.22	308,228.22
Puning City Yueyun Development Co., Ltd. (Note 1)	309,360.00	255,000.00
Zhongdao tourism industry development co., Ltd. (Note 2)	600,000.00	—
<b>Total</b>	<b>1,217,588.22</b>	<b>563,228.22</b>

Note 1: Guangzhou Yueyun Transportation Co., Ltd. holds 40% equity interests in Puning City Yueyun Development Co., Ltd. and Guangdong Yueyun Langri Co., Ltd. holds 30% equity interests in Yangjiang City Haoxing Automobile Comprehensive Examination Co., Ltd. As the operations of these investees are contracted by other parties or individuals, GVTG and Guangdong Yueyun Langri Co., Ltd. do not have control over these companies. Hence, these companies do not fall into the scope of consolidation of the Group.

Note 2: Zhongdao tourism industry development co., Ltd. ("Zhongdao tourism") was founded on 17 April 2018 by 30 companies with registered capital of RMB30 million. The Group holds 1% equity interests and therefore does not have a significant impact on the management decisions of Zhongdao Tourism, and the investments was recognized as other equity instruments.

Note 3: As at 31 December 2018, the Group held 14.11% and 10% equity interests in Guangdong Southern Container Transport Union Company and Huadu Golden Road Economic Development Co., Ltd., respectively. Guangdong Southern Container Transportation Co., Ltd. ceased its operation for years and Huadu Jindaoda Expressway Economic Development Co., Ltd., suffered operating loss for years. On 31 December 2018, the fair value of the two instruments available for sale is zero.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 9 Investments in other equity instruments (Continued)

##### (1) Investments in other equity instruments at fair value (Continued)

As at 31 December 2018, an analysis of investments in other equity instruments at fair value by the Company is as follows:

	2018 RMB	2017 RMB
Guangdong Jindaoda Expressway Economic Development Company Limited ("Jindaoda")	777,412.45	777,412.45
Zhongdao tourism	600,000.00	—
	<b>1,377,412.45</b>	777,412.45

At the end of the year, The Company and Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Company, holds 5% and 95% equity interests of Jindaoda respectively, and the Group holds 100% equity interests in total.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 10 Investment properties

#### The Group

	Buildings RMB	Land use rights RMB	Total RMB
Cost			
Balance as at 1 January 2017 (Restated)	129,201,924.52	56,039,565.22	185,241,489.74
Additions during the year			
Transfer from fixed assets/intangible assets	14,676,215.11	12,311,685.62	26,987,900.73
Decrease during the year			
Disposals	(498,000.00)	—	(498,000.00)
Transfer to fixed assets/intangible assets	(5,018,207.98)	(611,124.39)	(5,629,332.37)
Foreign currency financial statement translation differences	(213,259.34)	(951,391.36)	(1,164,650.70)
Balance as at 31 December 2017	138,148,672.31	66,788,735.09	204,937,407.40
Decrease during the year			
Disposals	(279,330.00)	—	(279,330.00)
Transfer to fixed assets/intangible assets	(46,292,743.09)	(27,863,138.55)	(74,155,881.64)
Foreign currency financial statement translation differences	146,624.91	654,122.14	800,747.05
Balance as at 31 December 2018	91,723,224.13	39,579,718.68	131,302,942.81
Accumulated depreciation or amortisation			
Balance as at 1 January 2017 (Restated)	(13,677,558.89)	(7,209,294.89)	(20,886,853.78)
Additions during the year			
Charge for the year	(3,346,243.29)	(1,575,595.14)	(4,921,838.43)
Transfer from fixed assets/intangible assets	(1,113,955.67)	(674,664.33)	(1,788,620.00)
Decrease during the year			
Disposals	498,000.00	—	498,000.00
Transfer to fixed assets/intangible assets	1,776,165.29	172,463.80	1,948,629.09

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 10 Investment properties (Continued)

#### The Group (Continued)

	Buildings RMB	Land use rights RMB	Total RMB
Foreign currency financial statement			
translation differences	182,634.90	322,371.86	505,006.76
Balance as at 31 December 2017	(15,680,957.66)	(8,964,718.70)	(24,645,676.36)
Additions during the year			
Charge for the year	(2,232,361.64)	(777,173.20)	(3,009,534.84)
Decrease during the year			
Disposals	276,000.52	—	276,000.52
Transfer to fixed assets/intangible assets	11,558,163.23	3,599,021.10	15,157,184.33
Foreign currency financial statement			
translation differences	(128,310.97)	(142,778.64)	(271,089.61)
Balance as at 31 December 2018	(6,207,466.52)	(6,285,649.44)	(12,493,115.96)
Carrying amounts			
As at 31 December 2018	85,515,757.61	33,294,069.24	118,809,826.85
As at 31 December 2017	122,467,714.65	57,824,016.39	180,291,731.04

Note 1: The remaining period of amortisation of land use rights is 23 to 64 years.

Note 2: As at 31 December 2018, investment properties that were pledged for long-term bank loans is RMB21,606,802.16 (31 December 2017: RMB22,392,714.56).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 11 Fixed assets

#### The Group

	Buildings and structures RMB	Building improvements RMB	Machinery and equipment RMB	Electronic equipment, office equipment and others RMB	Transportation vehicles RMB	Pier RMB	Total RMB
Cost							
Balance as at 1 January 2017 (Restated)	1,041,614,500.56	119,819,964.54	126,349,300.96	257,321,233.93	2,841,127,128.47	90,628,461.88	4,476,860,590.34
Additions during the year	18,751,832.51	—	13,557,217.34	25,906,348.17	147,300,503.00	—	205,515,901.02
Transfer from investment properties	5,018,207.98	—	—	—	—	—	5,018,207.98
Transfer from construction in progress	98,294,354.62	41,275,467.13	6,010,502.34	24,338,862.92	333,872,643.33	—	503,791,830.34
Additions arising from business combinations not under common control	—	—	—	—	5,060,456.33	—	5,060,456.33
Disposals during the year	(17,611,741.35)	—	(5,746,208.94)	(9,527,868.49)	(132,401,091.84)	—	(165,286,910.62)
Transfer to investment properties	(14,676,215.11)	—	—	—	—	—	(14,676,215.11)
Foreign currency financial statement translation differences	(1,961,735.14)	—	(71,535.36)	(384,841.72)	(10,848,705.78)	—	(13,266,818.00)
Balance as at 31 December 2017	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 year	16,284,133.97	129,928.20	13,863,404.94	30,151,256.93	199,227,611.74	—	259,656,335.78
Transfer from investment properties	46,292,743.09	—	—	—	—	—	46,292,743.09
Transfer from construction in progress	221,503,469.23	31,333,944.74	15,119,096.07	9,960,736.35	372,832,610.64	—	650,749,857.03
Disposals or adjustment upon completion during the year	(1,691,297.24)	(2,879,148.15)	(2,169,677.12)	(7,418,515.58)	(158,853,680.09)	—	(173,012,318.18)
Deductions resulting from consolidation scope change (note)	(15,012,160.91)	—	(78,849,989.91)	(3,137,253.56)	(11,382,086.76)	(90,628,461.88)	(199,009,953.02)
Foreign currency financial statement translation differences	1,620,614.24	—	50,427.15	339,243.84	6,536,870.00	—	8,547,155.23
Balance as at 31 December 2018	1,398,426,706.45	189,680,156.46	88,112,537.47	327,549,202.79	3,592,472,259.04	—	5,596,240,862.21



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 11 Fixed assets (Continued)

#### The Group (Continued)

	Buildings and structures RMB	Building improvements RMB	Machinery and equipment RMB	Electronic equipment, office equipment and others RMB	Transportation vehicles RMB	Pier RMB	Total RMB
Less: Accumulated depreciation							
Balance as at 1 January 2017 (Restated)	(256,598,437.67)	(99,505,267.23)	(61,605,371.62)	(172,280,394.84)	(1,402,175,375.44)	(10,336,834.96)	(2,002,501,681.76)
Charge for the year	(44,917,033.66)	(6,663,700.15)	(9,574,732.35)	(32,817,833.55)	(364,107,639.53)	(2,528,043.45)	(460,608,982.69)
Transfer from investment properties	(1,776,165.29)	—	—	—	—	—	(1,776,165.29)
Transfer to investment properties	1,113,955.67	—	—	—	—	—	1,113,955.67
Written off on disposal	5,687,762.63	—	3,954,641.73	8,003,858.95	121,840,981.86	—	139,487,245.17
Foreign currency financial statement translation differences	774,177.30	—	71,588.81	378,666.53	7,154,868.66	—	8,379,301.30
Balance as at 31 December 2017	(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)
Charge for the year	(47,811,301.40)	(8,339,959.20)	(7,025,850.73)	(38,765,993.94)	(426,210,319.33)	(632,010.87)	(528,785,435.47)
Transfer from investment properties	(11,558,163.23)	—	—	—	—	—	(11,558,163.23)
Written off on disposal	548,700.31	—	428,465.47	6,964,973.76	136,789,638.25	—	144,731,777.79
Deductions resulting from consolidation scope change(note)	4,932,174.29	—	43,506,179.05	2,028,557.20	6,331,237.49	13,496,889.28	70,295,037.31
Foreign currency financial statement translation differences	(597,117.76)	—	(49,234.91)	(247,337.75)	(4,090,526.59)	—	(4,984,217.01)
Balance as at 31 December 2018	(350,201,448.81)	(114,508,926.58)	(30,294,314.55)	(226,735,503.64)	(1,924,467,134.63)	—	(2,646,207,328.21)
Less: Provision for impairment							
Balance as at 1 January 2017	(418,188.74)	—	(875,852.00)	—	—	—	(1,294,040.74)
Charge for the year	—	—	—	—	(3,421,457.35)	—	(3,421,457.35)
Written off on disposal	418,188.74	—	875,852.00	—	—	—	1,294,040.74
Balance as at 31 December 2017	—	—	—	—	(3,421,457.35)	—	(3,421,457.35)
Charge for the year	—	—	—	—	(3,489,850.82)	—	(3,489,850.82)
Written off on disposal	—	—	—	—	1,210,626.11	—	1,210,626.11
Balance as at 31 December 2018	—	—	—	—	(5,700,682.06)	—	(5,700,682.06)
Carrying amounts							
As at 31 December 2018	1,048,225,257.64	75,171,229.88	57,818,222.92	100,813,699.15	1,662,304,442.35	—	2,944,332,851.94
As at 31 December 2017	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

Note: As mentioned in Note IV. 5 and 7, the deductions of fixed assets due to the completion of Asset Swap Agreement and disposal of subsidiaries are included in the deductions resulting from consolidation scope change.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 11 Fixed assets (Continued)

##### *The Group (Continued)*

As at 31 December 2018, fixed assets with carrying amount of RMB183,372,960.62 (31 December 2017: RMB252,734,882.03) were pledged for bank loans, among which, RMB165,645,309.27 (31 December 2017: RMB248,516,554.51) were pledged for long-term loans and RMB17,727,651.35 (31 December 2017: RMB4,218,327.52) were pledged for short-term loans. As at 31 December 2018, transportation vehicles with carrying amount of RMB180,656,935.41 were pledged for obligations under finance leases, and these transportation vehicles were acquired under finance leases (31 December 2017: RMB133,688,369.79). As at 31 December 2018, there are no other restricted fixed assets.

As at 31 December 2018, the buildings and structures in Guangzhou, Qingyuan, Foshan, Shaoguan, Zhaoqing, Shanwei, Meizhou and Heyuan etc. have not yet obtained the certificates of title. As at 31 December 2018, the carrying amount of such buildings was RMB251,072,321.25 (31 December 2017: RMB157,330,840.65).

The fixed assets acquired under finance leases as at 31 December 2018 were as follows:

	Transportation vehicles RMB
At the end of the year	
Cost	254,123,377.08
Less: Accumulated depreciation	(73,466,441.67)
Net book value	180,656,935.41
At the beginning of the year	
Cost	161,751,715.23
Less: Accumulated depreciation	(28,063,345.44)
Net book value	133,688,369.79

Except for the above, there are no other restricted fixed assets at the end of the year.

As at 31 December 2018, transportation vehicles with carrying amount of RMB34,545,926.62 (31 December 2017: RMB45,140,669.24) were leased out under operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 11 Fixed assets (Continued)

#### The Company

	Transportation vehicles RMB	Electronic equipment office equipment and others RMB	Buildings and structures RMB	Total RMB
Cost				
Balances as at 1 January 2017	10,572,013.42	9,863,716.11	3,424,779.00	23,860,508.53
Additions during the year	—	611,951.00	—	611,951.00
Balances as at 31 December 2017	10,572,013.42	10,475,667.11	3,424,779.00	24,472,459.53
Additions during the year	—	2,601,808.97	—	2,601,808.97
Disposals during the year	(3,527,208.74)	—	—	(3,527,208.74)
Balances as at 31 December 2018	7,044,804.68	13,077,476.08	3,424,779.00	23,547,059.76
Less: Accumulated depreciation				
Balances as at 1 January 2017	(9,796,032.88)	(7,674,041.01)	(162,677.04)	(17,632,750.93)
Charge for the year	(82,724.16)	(628,892.03)	(162,677.04)	(874,293.23)
Balances as at 31 December 2017	(9,878,757.04)	(8,302,933.04)	(325,354.08)	(18,507,044.16)
Charge for the year	(82,724.16)	(1,014,222.32)	(162,677.04)	(1,259,623.52)
Written off on disposals	3,476,713.74	—	—	3,476,713.74
Balances as at 31 December 2018	(6,484,767.46)	(9,317,155.36)	(488,031.12)	(16,289,953.94)
Carrying amount				
As at 31 December 2018	560,037.22	3,760,320.72	2,936,747.88	7,257,105.82
As at 31 December 2017	693,256.38	2,172,734.07	3,099,424.92	5,965,415.37

As at 31 December 2018, the Company had no restricted fixed assets (31 December 2017: Nil) and had no buildings and structures without certificate or title of which had not been officially transferred to the Company (31 December 2017: Nil).

As at 31 December 2018, the Company had no fixed asset acquired under finance lease (31 December 2017: Nil) and no fixed asset leased out under operating lease (31 December 2017: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 12 Construction in progress

	The Group RMB	The Company RMB
Cost		
Balance as at 1 January 2017 (Restated)	212,040,465.96	—
Additions during the year	623,836,204.32	118,800.00
Transfer to fixed assets	(503,791,830.34)	(118,800.00)
Other decrease	(10,935,379.40)	—
Balance as at 31 December 2017	321,149,460.54	—
Additions during the year	1,128,219,610.88	10,024,755.26
Transfer to fixed assets	(650,749,857.03)	—
Other decrease	(88,899,094.25)	(7,316,660.00)
Balance as at 31 December 2018	709,720,120.14	2,708,095.26
Less: Provision for impairment		
Balance as at 1 January 2017	(451,957.10)	—
Addition during the year	(3,934,508.02)	—
Balance as at 31 December 2017	(4,386,465.12)	—
Written off on disposals	3,934,508.02	—
Balance as at 31 December 2018	(451,957.10)	—
Carrying amount		
As at 31 December 2018	709,268,163.04	2,708,095.26
As at 31 December 2017	316,762,995.42	—

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 12 Construction in progress (Continued)

Top ten items of construction in progress of the Group as at 31 December 2018 are outlined below:

	Balances at the beginning of the year RMB	Additions during the year RMB	Decreases during the year RMB	Balances at the end of the year RMB
Purchase of vehicles	100,008,737.70	745,631,314.55	(369,536,686.68)	476,103,365.57
Commercial transformation of service zones	9,652,898.49	129,557,245.00	(45,419,159.55)	93,790,983.94
Construction of self-owned service building	13,024,566.98	99,597,842.86	(83,976,776.84)	28,645,633.00
Construction Project of Zhaoqing				
High-tech Zone Central Station	4,410,721.47	18,990,224.28	—	23,400,945.75
Meizhou Central Bus Station	10,682,831.87	11,593,859.48	—	22,276,691.35
Reconstruction project of "Three Old"	14,878,562.56	—	—	14,878,562.56
Digital Media Project	4,638,718.15	1,015,252.01	(50,728.16)	5,603,242.00
Construction of Advertising post				
of Jiangzhao expressway	1,711,762.76	18,534,941.26	(16,991,561.79)	3,255,142.23
Construction of Information system	—	9,269,160.00	(7,316,660.00)	1,952,500.00
Central Station of Zhen'an	—	1,859,148.21	—	1,859,148.21
Total	159,008,799.98	1,036,048,987.65	(523,291,573.02)	671,766,214.61

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 13 Intangible assets

##### The Group

	Land use rights	Joint operation earning rights	Computer software	Coastline use rights	Passenger service licenses	Station and toll bridge franchise operating rights	Line license use rights and route operation rights	Trademark rights and others	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
<b>Cost</b>									
Balances as at 1 January									
2017 (Restated)	849,864,884.90	42,747,190.60	31,286,437.64	7,110,000.00	18,751,040.64	387,478,456.26	175,091,843.15	4,316,379.48	1,516,646,232.67
Additions during the year	78,163,416.69	—	15,117,461.76	—	8,011,844.60	—	14,221,432.69	—	115,514,155.74
Transferred from investment properties	611,124.39	—	—	—	—	—	—	—	611,124.39
Additions arising from business combinations not under common control	—	—	—	—	—	—	18,023,218.94	—	18,023,218.94
Transferred to investment properties	(12,311,685.62)	—	—	—	—	—	—	—	(12,311,685.62)
Disposals during the year	(7,762,807.11)	—	(14,000.00)	—	—	—	—	—	(7,776,807.11)
Foreign currency financial statement translation differences	(2,532,133.96)	—	—	—	(1,499,712.29)	—	—	—	(4,031,846.25)
Balances as at 31 December 2017	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 year	22,380,492.73	—	14,240,259.03	—	11,642,960.00	—	3,904,000.00	—	52,167,711.76
Transferred from investment properties	27,863,138.55	—	—	—	—	—	—	—	27,863,138.55
Disposals during the year	(1,807,491.19)	—	—	—	—	—	—	—	(1,807,491.19)
Deductions resulting from consolidation scope change(note)	(97,676,190.69)	—	(2,196,666.66)	(7,110,000.00)	—	—	—	(70,000.00)	(107,052,857.35)
Foreign currency financial statement translation differences	1,740,949.13	—	—	—	1,491,018.88	—	—	—	3,231,968.01
Balances as at 31 December 2018	858,533,697.82	42,747,190.60	58,433,491.77	—	38,397,151.83	387,478,456.26	211,240,494.78	4,246,379.48	1,601,076,862.54

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 13 Intangible assets (Continued)

#### The Group (Continued)

	Land use rights	Joint operation earning rights	Computer software	Coastline use rights	Passenger service licenses	Station and toll bridge franchise operating rights	Line license use rights and route operation rights	Trademark rights and others	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Accumulated amortisation									
Balances as at 1 January									
2017 (Restated)	(114,452,254.97)	(7,803,560.34)	(21,709,712.74)	(1,976,137.40)	—	(212,547,269.32)	(76,162,765.68)	(877,155.01)	(435,528,855.46)
Charge for the year	(19,938,177.09)	(3,901,780.17)	(4,172,435.56)	349,882.07	—	(18,127,980.39)	(18,351,988.09)	(229,716.49)	(64,372,195.72)
Transferred from investment properties	(172,463.80)	—	—	—	—	—	—	—	(172,463.80)
Transferred to investment properties	674,664.33	—	—	—	—	—	—	—	674,664.33
Written off on disposal	94,677.66	—	3,180.75	—	—	—	—	—	97,858.41
Foreign currency financial statement translation differences	918,188.59	—	—	—	—	—	—	—	918,188.59
Balances as at 31 December 2017	(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)
Charge for the year	(18,714,768.05)	(3,901,780.17)	(5,779,012.84)	(38,816.55)	—	(18,129,980.38)	(17,665,543.58)	(255,648.52)	(64,485,550.09)
Transferred from investment properties	(3,599,021.10)	—	—	—	—	—	—	—	(3,599,021.10)
Written off on disposal	880,373.18	—	—	—	—	—	—	—	880,373.18
Deductions resulting from consolidation scope change(note)	22,753,003.28	—	1,246,025.64	1,665,071.88	—	—	—	70,000.00	25,734,100.80
Foreign currency financial statement translation differences	(401,616.49)	—	—	—	—	—	—	—	(401,616.49)
Balances as at 31 December 2018	(131,957,394.46)	(15,607,120.68)	(30,411,954.75)	—	—	(248,805,230.09)	(112,180,297.35)	(1,292,520.02)	(540,254,517.35)
Carrying amount									
As at 31 December 2018	726,576,303.36	27,140,069.92	28,021,537.02	—	38,397,151.83	138,673,226.17	99,060,197.43	2,953,859.46	1,060,822,345.19
As at 31 December 2017	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

Note: As mentioned in Note IV. 5 and 7, the deductions of intangible assets due to the completion of Asset Swap Agreement and disposal of subsidiaries are included in the deductions resulting from consolidation scope change.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 13 Intangible assets (Continued)

##### *The Group (Continued)*

As at 31 December 2018, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB91,440,914.14 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Company as mentioned in Note V. 28 (31 December 2017: RMB108,352,067.98). In addition, land use rights with carrying amount of RMB171,389,758.04 (31 December 2017: RMB127,310,802.05) were pledged for bank loans, among which, RMB155,809,179.83 (31 December 2017: RMB126,855,252.47) were pledged for long-term loans and RMB15,580,578.21 (31 December 2017: RMB455,549.58) were pledged for short-term loans and no intangible assets was pledged for short-term loans. As at 31 December 2018, intangible assets with carrying amount of RMB931,902.00 (31 December 2017: RMB1,025,674.00) were pledged for long-term payables. As at 31 December 2018, there was no other restricted intangible assets of the Group.

In addition to the land that are in the process of applying for the certificates of title, certain pieces of land of the Group located in the cities of Heyuan, Shanwei, Shaoguan and Yangjiang have not yet obtained the certificates of ownership. As at 31 December 2018, the carrying amount of land use rights without certificate of title for the Group was RMB14,685,234.20 (31 December 2017: RMB15,166,886.59).

As at 31 December 2018, land use rights with original costs of RMB79,643,883.74 (31 December 2017: RMB89,022,927.42) were obtained through allocation.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 13 Intangible assets (Continued)

#### The Company

	Computer Software RMB	Toll bridge franchise operating rights RMB	Total RMB
Cost			
Balances as at 1 January 2017	23,678,820.83	334,103,442.14	357,782,262.97
Additions during the year	6,760,540.00	—	6,760,540.00
Balances as at 31 December 2017	30,439,360.83	334,103,442.14	364,542,802.97
Additions during the year	13,137,040.00	—	13,137,040.00
Balances as at 31 December 2018	43,576,400.83	334,103,442.14	377,679,842.97
Accumulated amortisation			
Balances as at 1 January 2017	(23,281,941.27)	(208,840,220.32)	(232,122,161.59)
Charges for the year	(705,640.33)	(16,911,153.84)	(17,616,794.17)
Balances as at 31 December 2017	(23,987,581.60)	(225,751,374.16)	(249,738,955.76)
Charges for the year	(2,519,791.66)	(16,911,153.84)	(19,430,945.50)
Balances as at 31 December 2018	(26,507,373.26)	(242,662,528.00)	(269,169,901.26)
Carrying amount			
As at 31 December 2018	17,069,027.57	91,440,914.14	108,509,941.71
As at 31 December 2017	6,451,779.23	108,352,067.98	114,803,847.21

As at 31 December 2018, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB91,440,914.14 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Company as mentioned in Note V. 28 (31 December 2017: RMB108,352,067.98). As at 31 December 2018, there was no other restricted intangible assets of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 14 Goodwill

Year 2018 and 2017

Name of investee from which goodwill arising	Balance as at 1 January RMB	Additions during the year RMB	Balance as at 31 December RMB
Heyuan City Yueyun Motor Transportation Co., Ltd.	28,559,728.57	—	28,559,728.57
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	23,391,155.86	—	23,391,155.86
Guangdong Yueyun Langri Co., Ltd.	23,198,978.67	—	23,198,978.67
Yangjiang Vehicles Transportation	7,558,101.69	—	7,558,101.69
Yangjiang City Yangzha New Image Public Transportation Company Limited	5,416,461.97	—	5,416,461.97
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	2,100,000.00	—	2,100,000.00
Qingyuan City Qingxin Zone Yueyun Motor Transportation Co., Ltd.	12,010,932.57	—	12,010,932.57
Others	1,930,966.69	—	1,930,966.69
<b>Total</b>	<b>104,166,326.02</b>	<b>—</b>	<b>104,166,326.02</b>

For the purpose of impairment testing, the Group, taking the above subsidiaries as separate asset groups, allocates the goodwill to such asset groups for impairment testing. The Group estimates the recoverable amount of each asset group individually based on the present value of expected future cash flow of such asset groups on the assumption of going concern in light of the operating characteristics of such asset groups. Cash flow projections are based on the financial budget covering of five-year period forecasted by the management and the assumption that the growth rate of cash flow beyond five-year period is zero. The adopted discount rate is 10.5%~12.60%. Other key assumptions used in estimating future cash flow include the past performance of such asset groups and the management's expectation of market development. The management considers that the reasonable changes in above assumptions would not result in carrying amount in excess of the recoverable amount, therefore there is no impairment on goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 15 Long-term deferred expenses

31 December 2018

Items	The Group			
	Balance at	Additions	Decrease	Balance at
	the beginning of the year RMB	during the year RMB	during the year RMB	the end of the year RMB
Leasehold improvements	42,661,639.80	70,413,265.93	(20,756,562.78)	92,318,342.95
Others	16,671,594.97	3,388,675.71	(9,045,321.69)	11,014,948.99
Sub-total	59,333,234.77	73,801,941.64	(29,801,884.47)	103,333,291.94
Less: Provision for impairment				
Design and decoration fee of buildings	(7,162,543.22)	—	—	(7,162,543.22)
<b>Total</b>	<b>52,170,691.55</b>	<b>73,801,941.64</b>	<b>(29,801,884.47)</b>	<b>96,170,748.72</b>

31 December 2017

Items	The Group			
	Balance at	Additions	Decrease	Balance at
	the beginning of the year RMB	during the year RMB	during the year RMB	the end of the year RMB
Leasehold improvements	28,655,270.00	25,211,295.55	(11,204,925.75)	42,661,639.80
Others	11,172,161.91	11,238,251.37	(5,738,818.31)	16,671,594.97
Sub-total	39,827,431.91	36,449,546.92	(16,943,744.06)	59,333,234.77
Less: Provision for impairment				
Design and decoration fee of buildings	(7,162,543.22)	—	—	(7,162,543.22)
<b>Total</b>	<b>32,664,888.69</b>	<b>36,449,546.92</b>	<b>(16,943,744.06)</b>	<b>52,170,691.55</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 15 Long-term deferred expenses (Continued)

31 December 2018

	The Company			
	Balance at	Additions	Decrease	Balance at
	the beginning of the year RMB	during the year RMB	during the year RMB	the end of the year RMB
Leasehold improvements	9,221,298.88	—	(1,552,773.74)	7,668,525.14
Others	3,563,692.87	116,936.20	(668,656.16)	3,011,972.91
Sub-total	12,784,991.75	116,936.20	(2,221,429.90)	10,680,498.05
Less: Provision for impairment				
Design and decoration fee of buildings	(7,162,543.22)	—	—	(7,162,543.22)
Total	5,622,448.53	116,936.20	(2,221,429.90)	3,517,954.83

31 December 2017

	The Company			
	Balance at	Additions	Decrease	Balance at
	the beginning of the year RMB	during the year RMB	during the year RMB	the end of the year RMB
Leasehold improvements	7,695,486.16	3,183,930.64	(1,658,117.92)	9,221,298.88
Others	4,222,604.42	116,935.55	(775,847.10)	3,563,692.87
Sub-total	11,918,090.58	3,300,866.19	(2,433,965.02)	12,784,991.75
Less: Provision for impairment				
Design and decoration fee of buildings	(7,162,543.22)	—	—	(7,162,543.22)
Total	4,755,547.36	3,300,866.19	(2,433,965.02)	5,622,448.53

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 16 Deferred tax assets and deferred tax liabilities

- (1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows:

#### The Group

	Deferred tax assets					
	Amount of temporary differences at		Current year increase/ (decrease)		Amount of temporary differences at	
	differences at the beginning of the year	Balances at the beginning of the year	(decrease) charge to profit or loss	Decrease due to consolidation scope change	Balances at the end of the year	differences at the end of the year
	RMB	RMB	RMB	RMB	RMB	RMB
	(Restated)	(Restated)				
Deferred tax assets:						
Provision for bad and doubtful debts	165,862,437.90	41,465,609.48	(5,787,405.21)	(8,716,875.66)	26,961,328.61	107,845,314.44
Including: Accounts receivable	107,970,558.76	26,992,639.69	(8,072,497.77)	(8,426,420.13)	10,493,721.79	41,974,887.16
Other receivables	54,680,711.00	13,670,177.75	3,087,884.60	(290,455.53)	16,467,606.82	65,870,427.28
Long-term receivables	3,211,168.14	802,792.04	(802,792.04)	—	—	—
Provision for impairment of assets	485,655,832.84	121,413,958.21	(524,035.56)	—	120,889,922.65	483,559,690.60
Including: Inventories	4,351,350.00	1,087,837.50	(309,347.86)	—	778,489.64	3,113,958.56
Prepayment	468,238,405.08	117,059,601.27	272.93	—	117,059,874.20	468,239,496.80
Other non-current assets	13,066,077.76	3,266,519.44	(214,960.63)	—	3,051,558.81	12,206,235.24
Accrued Expenses	49,111,871.28	12,277,967.82	(740,565.77)	—	11,537,402.05	46,149,608.20
Employee benefits payable	40,372,811.56	10,093,202.89	(77,056.67)	(213,925.73)	9,802,220.49	39,208,881.96
Amortisation of intangible assets	13,402,327.72	3,350,581.93	114,465.17	—	3,465,047.10	13,860,188.40
Unrealised profits arising from transactions within the Group	12,467,842.80	3,116,960.70	(697,738.52)	—	2,419,222.18	9,676,888.72
Long-term employee benefits payable	41,440,699.64	10,360,174.91	(2,837,821.44)	—	7,522,353.47	30,089,413.88
Deductible tax losses	16,773,536.12	4,193,384.03	7,259,031.59	—	11,452,415.62	45,809,662.48
Deferred revenue	57,805,303.16	14,451,325.79	3,533,562.22	—	17,984,888.01	71,939,552.04
Others	8,905,714.68	2,226,428.67	(847,546.82)	(430,921.45)	947,960.40	3,791,841.60
Sub-total	891,798,377.70	222,949,594.43	(605,111.01)	(9,361,722.84)	212,982,760.58	851,931,042.32
Amount of offsetting	(29,793,776.92)	(7,448,444.23)			(17,313,605.77)	(69,254,423.08)
Balance after offsetting	862,004,600.78	215,501,150.20			195,669,154.81	782,676,619.24

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 16 Deferred tax assets and deferred tax liabilities (Continued)

- (1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows: (Continued)

##### The Group (Continued)

	Deferred tax liabilities					
	Amount of		Current year		Amount of	
	temporary		increase/		temporary	
	differences at	Balances at	(decrease)		Balances at	differences at
	the beginning	the beginning	charge to	Other changes	the end	the end
	of the year	of the year	profit or loss	during the year	of the year	of the year
	RMB	RMB	RMB	RMB	RMB	RMB
	(Restated)	(Restated)				
Deferred tax liabilities:						
Assets appraisal appreciation	(102,662,383.52)	(25,665,595.88)	736,060.22	—	(24,929,535.66)	(99,718,142.64)
Debit difference of long-term						
equity investments	(18,375,255.48)	(4,593,813.87)	114,845.35	—	(4,478,968.52)	(17,915,874.08)
Investment income	(15,749,416.60)	(3,937,354.15)	(398,471.28)	—	(4,335,825.43)	(17,343,301.72)
Depreciation of fixed assets	(6,795,646.32)	(1,698,911.58)	(18,411,200.55)	13,231.50	(20,096,880.63)	(80,387,522.52)
Government grants	—	—	(15,241,336.00)	—	(15,241,336.00)	(60,965,344.00)
Sub-total	(143,582,701.92)	(35,895,675.48)	(33,200,102.26)	13,231.50	(69,082,546.24)	(276,330,184.96)
Amount of offsetting	29,793,776.92	7,448,444.23			17,313,605.77	69,254,423.08
Balance after offsetting	(113,788,925.00)	(28,447,231.25)			(51,768,940.47)	(207,075,761.88)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 16 Deferred tax assets and deferred tax liabilities (Continued)

(1) An analysis of the movements of deferred tax assets and deferred tax liabilities is as follows: (Continued)

##### The Company

	Deferred tax assets				
	Amount of		Current year		Amount of
	temporary		(decrease)/		temporary
	differences at	Balances at	increase	Balances at	differences at
	the beginning	the beginning	charge to	the end	the end
	of the year	of the year	profit or loss	of the year	of the year
	RMB	RMB	RMB	RMB	RMB
	(Restated)	(Restated)			
Deferred tax assets:					
Provision for bad and doubtful debts	75,701,833.84	18,925,458.46	(4,907,369.66)	14,018,088.80	56,072,355.20
Including: Accounts receivable	43,190,631.92	10,797,657.98	(4,443,682.33)	6,353,975.65	25,415,902.60
Other receivables	32,511,201.92	8,127,800.48	(463,687.33)	7,664,113.15	30,656,452.60
Provision for impairment of assets					
Including: Prepayments	468,238,405.08	117,059,601.27	—	117,059,601.27	468,238,405.08
Accrued expenses	14,134,698.74	3,533,674.68	(1,600,839.70)	1,932,834.98	7,731,339.92
Employee benefits payable	20,648,780.72	5,162,195.18	—	5,162,195.18	20,648,780.72
Amortisation of intangible assets	11,784,191.36	2,946,047.84	—	2,946,047.84	11,784,191.36
Provision for impairment against					
non-current assets	7,162,543.22	1,790,635.82	—	1,790,635.82	7,162,543.28
Total	597,670,452.96	149,417,613.25	(6,508,209.36)	142,909,403.89	571,637,615.56

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 16 Deferred tax assets and deferred tax liabilities (Continued)

(2) Deductible tax losses and temporary differences not recognised as deferred tax assets

#### *The Group*

	31 December 2018 RMB	31 December 2017 RMB (Restated)
Deductible tax losses	362,114,527.60	374,986,583.47
Deductible temporary differences	326,579,289.24	369,932,748.33
<b>Total</b>	<b>688,693,816.84</b>	<b>744,919,331.80</b>

The Group considers that it is not probable that sufficient taxable profits will be available in future periods to offset the above deductible temporary differences and deductible losses. Therefore, no deferred tax assets are recognised on the above deductible tax losses and temporary differences.

Tax losses of RMB29,500,949.39 for which deferred tax assets are not recognised in previous years were expired in this year. The tax losses which are not recognised as deferred tax assets as at 31 December 2018 will be expired during the period from 31 December 2019 to 31 December 2023. (The tax losses which are not recognised as deferred tax assets as at 31 December 2017 would be expired during the period from 31 December 2018 to 31 December 2022.)



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 17 Other non-current assets

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB	31 December 2018 RMB	31 December 2017 RMB
Prepayments for operation expenses				
of express service zones	159,964,620.10	168,221,001.60	—	—
Prepayments for land use rights	92,613,079.14	90,211,299.59	—	—
Pending deduct input VAT	45,535,520.57	50,225,290.06	—	—
Prepayments for long-term assets	30,295,265.18	21,482,719.94	199,600.00	—
Revaluation increment of asset value of Guangdong Yueyun Langri Co., Ltd. (Note)	17,915,874.11	18,375,255.49	—	—
Prepaid taxes	13,343,395.66	14,612,389.75	—	—
Others	52,053,222.72	48,758,186.07	—	—
<b>Total</b>	<b>411,720,977.48</b>	<b>411,886,142.50</b>	<b>199,600.00</b>	<b>—</b>

Note: This other non-current asset represents revaluation increment of net identifiable asset value of Guangdong Yueyun Langri Co. Ltd. as at 23 November 2007, the date on which GVTG, the company's subsidiary, acquired their equity interests. GVTG adopted CAS since 1 January 2009, and pursuant to the provision of "the Experts' view on implementation issues of CAS" in relation to the treatment on the balance of the debit difference of long-term equity investments in subsidiaries arising from combination of companies held by the acquirer which are not under a business combination involving enterprises under common control, if the acquirer can determine the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date, the balance of the differences between the fair value of identifiable assets and liabilities of the acquiree as at the acquisition date and their carrying amounts, net of amortisation, as at the initial implementation date, shall be allocated to each of identifiable assets and liabilities of the acquire in a reasonable method, and shall be depreciated and amortised over the remaining useful life of identifiable assets of the acquire. Such depreciation and amortisation is included under the investment income item in the consolidated income statement; in case such balance could not be allocated to each of identifiable assets and liabilities of the acquire, it shall be amortised evenly over the remaining amortisation period of differences of original equity investments and shall be included under the investment income item in the consolidated income statement. Balance that is not amortised completely shall be included in the consolidated balance sheet as other non-current asset. Since GVTG could not allocate the balance of such valuation increment to identifiable assets and liabilities of Guangdong Yueyun Langri Co., Ltd., thus GVTG accounts for the balance of such valuation increment as other non-current assets. Amortisation period is from the acquisition date to the termination date of operation that is from November 2007 to October 2057.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 18 Assets with restricted ownership or right of use

		The Group			
		Balance as			Balance as
		at 1 January	Addition	Decrease	at 31 December
		2018	during the year	during the year	2018
	Note V	RMB	RMB	RMB	RMB
Assets pledged as collateral					
– Investment properties	10	22,392,714.56	–	(785,912.40)	21,606,802.16
– Fixed assets	11	386,423,251.82	140,341,086.70	(162,734,442.49)	364,029,896.03
– Intangible assets	13	128,336,476.05	70,060,368.44	(26,075,184.45)	172,321,660.04
Sub-total		537,152,442.43	210,401,455.14	(189,595,539.34)	557,958,358.23
Assets pledged as counter guarantee					
– Intangible assets	13	108,352,067.98	–	(16,911,153.84)	91,440,914.14
Sub-total		108,352,067.98	–	(16,911,153.84)	91,440,914.14
Assets with restrictions arising from other reasons					
– Cash at bank and on hand	1	18,574,706.90	18,469,876.70	(8,158,700.48)	28,885,883.12
Sub-total		18,574,706.90	18,469,876.70	(8,158,700.48)	28,885,883.12
Total		664,079,217.31	228,871,331.84	(214,665,393.66)	678,285,155.49

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 18 Assets with restricted ownership or right of use (Continued)

		The Group			
		Balance as		Decrease	Balance as
		at 1 January	Addition	during the year	at 31 December
		2017	during the year	during the year	2017
	Note V	RMB	RMB	RMB	RMB
Assets pledged as collateral					
– Investment properties	10	23,638,301.12	—	(1,245,586.56)	22,392,714.56
– Fixed assets	11	360,124,951.69	72,375,442.29	(46,077,142.16)	386,423,251.82
– Intangible assets	13	131,694,113.71	865,837.80	(4,223,475.46)	128,336,476.05
Sub-total		515,457,366.52	73,241,280.09	(51,546,204.18)	537,152,442.43
Assets pledged as counter guarantee					
– Intangible assets	13	125,263,221.82	—	(16,911,153.84)	108,352,067.98
Sub-total		125,263,221.82	—	(16,911,153.84)	108,352,067.98
Assets with restrictions arising from other reasons					
– Cash at bank and on hand	1	12,850,628.72	9,477,044.08	(3,752,965.90)	18,574,706.90
Sub-total		12,850,628.72	9,477,044.08	(3,752,965.90)	18,574,706.90
Total		653,571,217.06	82,718,324.17	(72,210,323.92)	664,079,217.31

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 18 Assets with restricted ownership or right of use (Continued)

		The Company			
		Balance as		Decrease	Balance as
		at 1 January	Addition	during the year	at 31 December
		2018	during the year	during the year	2018
	Note V	RMB	RMB	RMB	RMB
Assets pledged as counter guarantee					
– Intangible assets	13	108,352,067.98	—	(16,911,153.84)	91,440,914.14

		The Company			
		Balance as		Decrease	Balance as
		at 1 January	Addition	during the year	at 31 December
		2017	during the year	during the year	2017
	Note V	RMB	RMB	RMB	RMB
Assets pledged as counter guarantee					
– Intangible assets	13	125,263,221.82	—	(16,911,153.84)	108,352,067.98

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 19 Short-term loans

		The Group		The Company	
	Note	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Unsecured loans		80,000,000.00	161,000,000.00	40,000,000.00	—
Including: Loans from banks		40,000,000.00	98,000,000.00	40,000,000.00	—
Loans from GCG Finance		40,000,000.00	63,000,000.00	—	—
Loans secured by mortgages	(1)	29,800,000.00	5,000,000.00	—	—
Loans secured by letter of credit	(2)	—	51,806,642.67	—	—
<b>Total</b>		<b>109,800,000.00</b>	<b>217,806,642.67</b>	<b>40,000,000.00</b>	<b>—</b>

(1) For the details of assets pledged for secured loans as at 31 December 2018, please refer to Note V. 11 and 13.

(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 RMB51,806,642.67 and the loan period was 60 days.

As at 31 December 2018, the Group's short-term loans were bank borrowings within 1 year, which bear interest rates ranging from 4.26% - 4.35% per annum (31 December 2017: 4.00% - 4.35%). The Group had no overdue short-term loans as at 31 December 2018 (31 December 2017: Nil).

### 20 Bills and Accounts payable

		The Group		The Company	
	Note	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Bills payable	(1)	12,944,770.00	787,530,251.25	—	473,950,000.00
Accounts payable	(2)	824,201,021.31	854,672,300.91	48,724,615.18	104,442,323.80
<b>Total</b>		<b>837,145,791.31</b>	<b>1,642,202,552.16</b>	<b>48,724,615.18</b>	<b>578,392,323.80</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 20 Bills and Accounts payable (Continued)

##### (1) Bills payable

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		
Bank acceptance bills	12,944,770.00	787,530,251.25	—	473,950,000.00

The above bills are all due within one year.

##### (2) Accounts payable

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

	The Group		The Company	
Items	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Materials payable	116,842,610.55	244,100,282.11	43,574,138.43	77,366,172.55
Transportation fee payable	123,813,486.50	138,554,180.52	—	—
Contract payments for cars	357,766,982.87	250,884,606.58	—	—
Expressway service zones contracts fee payable	45,860,186.17	49,261,897.33	—	—
Progress payments for constructions	120,150,478.82	111,808,545.17	3,138,313.08	12,668,362.39
Fuel expenses payable	12,140,234.77	10,211,115.00	—	—
Service fees payable	15,015,428.80	11,194,804.44	—	—
Others	32,611,612.83	38,656,869.76	2,012,163.67	14,407,788.86
<b>Total</b>	<b>824,201,021.31</b>	<b>854,672,300.91</b>	<b>48,724,615.18</b>	<b>104,442,323.80</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 20 Bills and Accounts payable (Continued)

#### (2) Accounts payable (Continued)

(b) The ageing analysis of accounts payable according to the date of transaction is as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Within 3 months (inclusive)	624,074,081.91	500,071,668.52	39,618,565.55	72,467,339.03
Over 3 months but within 6 months (inclusive)	39,495,554.32	99,620,146.95	276,517.65	433,891.05
Over 6 months but within 1 year (inclusive)	81,254,774.62	164,014,436.38	1,689,555.43	3,301,344.24
Over 1 year but within 2 years (inclusive)	43,061,775.35	27,584,359.43	733,998.78	4,469,475.54
Over 2 years but within 3 years (inclusive)	8,814,955.24	13,357,963.84	2,977,858.56	1,399,123.65
Over 3 years	27,499,879.87	50,023,725.79	3,428,119.21	22,371,150.29
<b>Total</b>	<b>824,201,021.31</b>	<b>854,672,300.91</b>	<b>48,724,615.18</b>	<b>104,442,323.80</b>

(c) As at 31 December 2018, the Group's accounts payable with ageing over one year is expressway service zones contracts fee payable. Among which, individual amount over RMB10 million as follows:

Item	Balance RMB	Nature and reasons for unsettlement
Guangdong Provincial Freeway Company Limited	10,327,980.58	Expressway service zones contracts fee undue

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 21 Advances from customers

(1) The nature of advances from customers is as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Advances from contractors	89,993,560.74	102,679,642.19	—	—
Advances for advertising space rental fee	20,914,588.81	21,275,965.82	—	—
Advances for materials	—	45,743,111.50	—	16,027,668.08
Other advances	12,185,249.60	26,802,405.53	—	4,294.20
<b>Total</b>	<b>123,093,399.15</b>	<b>196,501,125.04</b>	<b>—</b>	<b>16,031,962.28</b>

(2) The ageing analysis of advances from customers is as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Within 1 year (inclusive)	119,555,030.16	176,825,657.50	—	11,372,453.12
Over 1 year but within 2 years (inclusive)	1,498,710.33	13,620,777.98	—	800,002.38
Over 2 years but within 3 years (inclusive)	727,632.24	216,151.89	—	—
Over 3 years	1,312,026.42	5,838,537.67	—	3,859,506.78
<b>Total</b>	<b>123,093,399.15</b>	<b>196,501,125.04</b>	<b>—</b>	<b>16,031,962.28</b>

(3) As at 31 December 2018, the Group and the Company had no advances from customers with ageing over one year and individual amount over RMB10 million.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 22 Contract liabilities

31 December 2018		
	The Group RMB	The Company RMB
Advances for transportation fees	6,192,802.99	—
Advances for goods	29,655,006.69	28,770,335.75
Advances for services fee	4,933,775.01	—
<b>Total</b>	<b>40,781,584.69</b>	<b>28,770,335.75</b>

### 23 Employee benefits payable

		The Group		The Company	
	Note	2018 RMB	2017 RMB (Restated)	2018 RMB	2017 RMB
Short-term employee benefits	(1)	147,880,608.21	162,364,492.89	15,491,327.09	19,398,719.72
Post-employment benefits					
– defined contribution plans	(2)	9,530,186.68	10,855,084.53	446,443.24	45,491.13
Termination benefits		3,135,741.50	4,214,302.39	2,173,877.04	2,173,877.04
Long-term employee benefits					
due within one year					
(Note V. 30)		11,553,448.14	10,729,642.10	—	—
<b>Total</b>		<b>172,099,984.53</b>	<b>188,163,521.91</b>	<b>18,111,647.37</b>	<b>21,618,087.89</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 23 Employee benefits payable (Continued)

##### (1) Short-term employee benefits

	The Group			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
	RMB	RMB	RMB	RMB
	(Restated)			
Salaries, bonuses, allowances	149,077,666.06	1,393,573,742.62	(1,411,244,262.60)	131,407,146.08
Staff welfare	100,276.61	62,166,500.40	(62,167,716.53)	99,060.48
Social insurance	1,464,907.45	80,285,405.04	(77,856,128.03)	3,894,184.46
Including: Medical insurance	1,464,069.84	68,804,508.67	(66,671,088.55)	3,597,489.96
Work-related injury insurance	488.57	4,581,223.92	(4,346,054.05)	235,658.44
Maternity insurance	349.04	6,772,468.18	(6,714,081.02)	58,736.20
Others	—	127,204.27	(124,904.41)	2,299.86
Housing fund	2,893,423.83	75,757,480.57	(75,220,960.71)	3,429,943.69
Labor union fee, staff and workers' education fee	8,681,077.87	25,166,024.10	(25,754,247.64)	8,092,854.33
Other short-term employee benefits	147,141.07	1,101,754.48	(291,476.38)	957,419.17
Labor protection fee	—	8,356,118.35	(8,356,118.35)	—
Labor service charge	—	45,824,266.83	(45,824,266.83)	—
<b>Total</b>	<b>162,364,492.89</b>	<b>1,692,231,292.39</b>	<b>(1,706,715,177.07)</b>	<b>147,880,608.21</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 23 Employee benefits payable (Continued)

##### (1) Short-term employee benefits (Continued)

	The Group			
	Balance at 1 January 2017	Accrued during the year	Paid during the year	Balance at 31 December 2017
	RMB	RMB	RMB	RMB
	(Restated)	(Restated)	(Restated)	(Restated)
Salaries, bonuses, allowances	134,084,659.89	1,353,467,475.85	(1,338,474,469.68)	149,077,666.06
Staff welfare	237,317.77	69,092,286.82	(69,229,327.98)	100,276.61
Social insurance	1,707,395.19	72,885,830.87	(73,128,318.61)	1,464,907.45
Including: Medical insurance	1,837,750.19	62,110,429.81	(62,484,110.16)	1,464,069.84
Work-related injury insurance	(100,567.27)	4,797,554.36	(4,696,498.52)	488.57
Maternity insurance	(50,269.71)	5,782,486.37	(5,731,867.62)	349.04
Others	20,481.98	195,360.33	(215,842.31)	—
Housing fund	2,577,971.36	72,988,508.20	(72,673,055.73)	2,893,423.83
Labor union fee, staff and workers' education fee	11,086,590.04	22,565,331.98	(24,970,844.15)	8,681,077.87
Other short-term employee benefits	147,431.07	14,281,440.34	(14,281,730.34)	147,141.07
Labor protection fee	—	4,769,601.60	(4,769,601.60)	—
Labor service charge	—	43,570,928.23	(43,570,928.23)	—
<b>Total</b>	<b>149,841,365.32</b>	<b>1,653,621,403.89</b>	<b>(1,641,098,276.32)</b>	<b>162,364,492.89</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 23 Employee benefits payable (Continued)

##### (1) Short-term employee benefits (Continued)

	The Company			
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
	RMB	RMB	RMB	RMB
Salaries, bonuses, allowances	16,674,314.16	33,835,312.76	(38,002,207.19)	12,507,419.73
Staff welfare	—	1,694,663.28	(1,694,663.28)	—
Social insurance	1,465,150.31	2,247,123.73	(2,247,123.73)	1,465,150.31
Including: Medical insurance	1,464,312.70	1,886,670.59	(1,886,670.59)	1,464,312.70
Work-related injury insurance	488.57	36,812.75	(36,812.75)	488.57
Maternity insurance	349.04	229,096.83	(229,096.83)	349.04
Others	—	94,543.56	(94,543.56)	—
Housing fund	249,335.00	3,433,687.00	(3,433,687.00)	249,335.00
Labor union fee, staff and workers' education fee	969,307.16	1,380,003.33	(1,120,501.53)	1,228,808.96
Other short-term employee benefits	40,613.09	278,500.00	(278,500.00)	40,613.09
Labor service charge	—	146,971.45	(146,971.45)	—
<b>Total</b>	<b>19,398,719.72</b>	<b>43,016,261.55</b>	<b>(46,923,654.18)</b>	<b>15,491,327.09</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 23 Employee benefits payable (Continued)

#### (1) Short-term employee benefits (Continued)

The Company				
	Balance at 1 January 2017 RMB	Accrued during the year RMB	Paid during the year RMB	Balance at 31 December 2017 RMB
Salaries, bonuses, allowances	13,232,219.73	32,580,542.20	(29,138,447.77)	16,674,314.16
Staff welfare	—	1,739,239.75	(1,739,239.75)	—
Social insurance	1,465,150.31	1,988,453.99	(1,988,453.99)	1,465,150.31
Including: Medical insurance	1,464,312.70	1,647,325.05	(1,647,325.05)	1,464,312.70
Work-related injury insurance	488.57	63,516.05	(63,516.05)	488.57
Maternity insurance	349.04	200,032.42	(200,032.42)	349.04
Others	—	77,580.47	(77,580.47)	—
Housing fund	249,335.00	3,257,637.00	(3,257,637.00)	249,335.00
Labor union fee, staff and workers' education fee	964,010.56	1,031,255.66	(1,025,959.06)	969,307.16
Other short-term employee benefits	40,613.09	414,350.00	(414,350.00)	40,613.09
Labor service charge	—	116,779.54	(116,779.54)	—
<b>Total</b>	<b>15,951,328.69</b>	<b>41,128,258.14</b>	<b>(37,680,867.11)</b>	<b>19,398,719.72</b>

#### (2) Post-employment benefits – defined contribution plans

The Group				
	Balance at 1 January 2018 RMB (Restated)	Accrued during the year RMB	Paid during the year RMB	Balance at 31 December 2018 RMB
Basic pension insurance	8,553,972.68	118,205,882.55	(118,455,956.02)	8,303,899.21
Unemployment insurance	172,537.19	4,679,277.03	(4,633,877.93)	217,936.29
Annuity	191,116.31	7,848,529.14	(7,031,294.27)	1,008,351.18
Mandatory provident fund	1,937,458.35	1,149,595.41	(3,087,053.76)	—
<b>Total</b>	<b>10,855,084.53</b>	<b>131,883,284.13</b>	<b>(133,208,181.98)</b>	<b>9,530,186.68</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 23 Employee benefits payable (Continued)

##### (2) Post-employment benefits – defined contribution plans (Continued)

The Group				
	Balance at 1 January 2017	Accrued during the year	Paid during the year	Balance at 31 December 2017
	RMB	RMB	RMB	RMB
Basic pension insurance	8,168,802.15	123,215,091.94	(122,829,921.41)	8,553,972.68
Unemployment insurance	163,916.21	5,027,656.84	(5,019,035.86)	172,537.19
Annuity	558,213.10	11,301,931.70	(11,669,028.49)	191,116.31
Mandatory provident fund	3,011,599.38	420,194.20	(1,494,335.23)	1,937,458.35
<b>Total</b>	<b>11,902,530.84</b>	<b>139,964,874.68</b>	<b>(141,012,320.99)</b>	<b>10,855,084.53</b>

The Company				
	Balance at 1 January 2018	Accrued during the year	Paid during the year	Balance at 31 December 2018
	RMB	RMB	RMB	RMB
Basic pension insurance	36,683.46	3,435,711.86	(3,435,711.86)	36,683.46
Unemployment insurance	8,807.67	129,372.46	(129,372.46)	8,807.67
Annuity	—	1,537,647.44	(1,136,695.33)	400,952.11
<b>Total</b>	<b>45,491.13</b>	<b>5,102,731.76</b>	<b>(4,701,779.65)</b>	<b>446,443.24</b>

The Company				
	Balance at 1 January 2017	Accrued during the year	Paid during the year	Balance at 31 December 2017
	RMB	RMB	RMB	RMB
Basic pension insurance	36,683.46	3,066,496.10	(3,066,496.10)	36,683.46
Unemployment insurance	8,807.67	112,959.22	(112,959.22)	8,807.67
Annuity	—	1,469,410.70	(1,469,410.70)	—
<b>Total</b>	<b>45,491.13</b>	<b>4,648,866.02</b>	<b>(4,648,866.02)</b>	<b>45,491.13</b>

The Group and the Company paid termination benefits amounting to RMB13,022,079.34 and RMB0.00 respectively in 2018 (The Group and the Company paid termination benefits amounting to RMB4,076,444.23 and RMB0.00 respectively in 2017).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 24 Taxes payable

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
VAT	17,246,785.30	76,398,568.32	8,918,914.06	23,948,672.28
Corporate income tax	52,646,435.97	65,032,438.20	1,991,531.85	3,343,879.42
Urban maintenance and construction tax	1,166,737.14	5,416,169.69	341,714.27	1,427,247.71
Property tax	7,162,614.06	7,742,864.66	—	—
Land use tax	3,455,135.66	5,247,677.26	—	—
Individual income tax	2,784,046.96	5,836,861.74	292,015.14	98,484.11
Education surcharges and local education surcharges	840,115.81	3,856,619.57	247,465.54	1,023,055.59
Others	5,754,185.97	5,393,297.60	1,766,407.09	1,216,826.98
<b>Total</b>	<b>91,056,056.87</b>	<b>174,924,497.04</b>	<b>13,558,047.95</b>	<b>31,058,166.09</b>

### 25 Other payables

		The Group		The Company	
	Note	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Interest payable	(1)	5,700,651.79	5,480,581.05	4,843,075.46	4,729,044.52
Dividends payable	(2)	95,180,917.62	38,053,466.15	—	—
Others	(3)	631,794,065.78	653,277,923.62	558,567,661.28	762,314,679.36
<b>Total</b>		<b>732,675,635.19</b>	<b>696,811,970.82</b>	<b>563,410,736.74</b>	<b>767,043,723.88</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 25 Other payables (Continued)

#### (1) Interest payable

	The Group		The Company	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		
Interest payable for bank loans	4,752,500.12	4,729,044.52	4,752,500.12	4,729,044.52
Interest payable for corporate bonds	409,679.98	339,476.01	90,575.34	—
Interest payable for GCG Finance	538,471.69	412,060.52	—	—
<b>Total</b>	<b>5,700,651.79</b>	<b>5,480,581.05</b>	<b>4,843,075.46</b>	<b>4,729,044.52</b>

#### (2) Dividends payable

	The Group	
	31 December	31 December
	2018	2017
	RMB	RMB
Yangjiang City Yueyun Langri Hezheng Investment Consulting Service Company Limited	53,568,190.91	—
Qingyuan Traffic Construction and Development Company	11,193,024.57	—
Shaoguan Jinye Development Company	8,517,397.61	8,633,234.16
Committee of Shaoguan Vehicles Transportation Group	8,283,252.55	9,746,966.93
Guangdong Heyuan motor vehicle Group Company Limited	4,898,943.63	—
Guangzhou Long-Distance Transportation Company	3,432,000.00	2,640,000.00
Zhaoqing Communications Group Company Limited	—	9,344,848.93
Individual shareholders of subsidiaries	2,956,585.63	4,102,619.29
Guangdong Xinyue Communications Investment Company Limited	—	2,780,436.84
Heyuan City Traffic Group Company Limited	987,162.72	—
Others	1,344,360.00	805,360.00
<b>Total</b>	<b>95,180,917.62</b>	<b>38,053,466.15</b>



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 25 Other payables (Continued)

#### (3) Others

##### (a) Other payables by category:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Related Party	15,323,072.72	59,631,468.82	537,900,431.48	744,649,905.24
Third Party	616,470,993.06	593,646,454.80	20,667,229.80	17,664,774.12
<b>Total</b>	<b>631,794,065.78</b>	<b>653,277,923.62</b>	<b>558,567,661.28</b>	<b>762,314,679.36</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 25 Other payables (Continued)

#### (3) Others (Continued)

##### (b) Other payables by nature:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB
Related Parties				
Equity Acquisition Payment	—	44,487,000.00	—	—
Others	15,323,072.72	15,144,468.82	537,900,431.48	744,649,905.24
Third Parties				
Deposits	280,065,137.13	273,701,519.05	7,444,712.84	6,195,392.14
Deposits received from drivers for safety management purposes	37,303,238.51	46,541,699.36	—	—
Amount paid on behalf of the Group	162,458,441.41	153,957,977.03	—	—
Construction payables	62,040,306.10	66,809,444.54	3,873,443.77	—
Accidents compensation payables	8,994,286.42	9,885,129.84	—	—
Professional Service Fee	14,900,496.25	8,992,582.62	6,151,237.19	10,814,716.83
Water, electricity and fuel charges	7,108,759.05	4,668,320.57	—	—
Others	43,600,328.19	29,089,781.79	3,197,836.00	654,665.15
<b>Total</b>	<b>631,794,065.78</b>	<b>653,277,923.62</b>	<b>558,567,661.28</b>	<b>762,314,679.36</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 25 Other payables (Continued)

##### (3) Others (Continued)

- (c) As at 31 December 2018, other payables of the Group with ageing over one year were Construction payables, land transferring fee and deposits. The following other payables to customers with ageing over one year and individual amount over RMB10 million:

##### The Group

	Amount owed RMB	Reasons for unsettlement
Shanwei City Land Resource Bureau	37,771,898.00	Land use planning is under negotiation with local government authority
Qingyuan City Jiafu Investment Co., Ltd.	30,339,585.60	Construction in progress, unbilled
China Petrochemical Sales Co., Ltd. Guangdong Branch	19,881,300.00	Deposit not yet due
<b>Total</b>	<b>87,992,783.60</b>	

As at 31 December 2018, the Company had no other payables with ageing over one year and individual amount over RMB10 million.

#### 26 Non-current liabilities due within one year

		The Group	
	Note V	31 December 2018 RMB	31 December 2017 RMB (Restated)
Long-term loans due within one year	27	174,492,358.73	71,688,121.58
Long-term payables due within one year	29	96,603,409.50	46,030,588.71
Deferred income due within one year	32	48,629,127.26	40,627,712.25
<b>Total</b>		<b>319,724,895.49</b>	<b>158,346,422.54</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 27 Long-term loans

		The Group	
	Note	31 December 2018 RMB	31 December 2017 RMB (Restated)
Unsecured loans		630,073,915.15	461,462,236.71
Including: Loans from banks		42,873,915.15	12,962,236.71
Loans from GCG Finance		587,200,000.00	448,500,000.00
Loans secured by mortgages	(1)	94,772,765.15	114,932,034.94
Guaranteed loans	(3)	63,163,451.67	—
Guaranteed and mortgaged loans	(4)	83,348,674.29	53,368,982.95
Secured and guaranteed loans	(5)	74,537,264.07	—
Total		945,896,070.33	629,763,254.60
Less: long-term loans due within one year			
Including: Unsecured loans		93,668,637.36	18,088,760.55
Loans secured by mortgages		48,687,943.77	53,599,361.03
Guaranteed loans		7,308,464.28	—
Secured and guaranteed loans		24,827,313.32	—
Sub-total (Note V. 26)		174,492,358.73	71,688,121.58
Long-term loans due after 1 year		771,403,711.60	558,075,133.02
Including: Due after 1 year but within 2 years		403,627,330.81	211,716,083.87
Due after 2 years but within 5 years		367,776,380.79	346,359,049.15

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 27 Long-term loans (Continued)

- (1) For the details of assets pledged for secured loans as at 31 December 2018, please refer to Note V. 10, 11 and 13.
- (2) As at 31 December 2018, all the Group's long-term loans were from banks and GCG Finance with interest rates ranging from 4.28% ~ 5.23% per annum (31 December 2017: 4.28% ~ 4.90% per annum).
- (3) As at 31 December 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.
- (4) As at 31 December 2018, Mortgage and guarantee loans held by the Group include the loans borrowed by the subsidiaries: Heyuan Yueyun Motor Transportation Co., Ltd. with land as collateral, and joint liability guaranteed by shareholders for the remaining exposures in proportion to their shareholdings; and the loans borrowed by Zhaoqing City Yueyun Motor Transportation Co., Ltd., Shaoguan Yueyun Vehicles Transportation Co., Ltd. and Meizhou Yueyun Motor Transportation Co., Ltd., with vehicles as collateral and Zhengzhou Anchi Bonding Co., Ltd. as joint liability guarantee (As at 31 December 2017, Mortgage and guarantee borrowings held by the Group are loans borrowed by the subsidiary, Heyuan Yueyun Motor Transportation Co., Ltd., with land as collateral and joint liability guaranteed by shareholders for the remaining exposure in proportion to their shareholdings).
- (5) As at 31 December 2018, Guangdong Top-E Expressway Service Zone Company Limited, a subsidiary of the Group, received loans on credit with additional guarantee by its land use rights and buildings.
- (6) As at 31 December 2018, there was no overdue borrowing by the Group (As at 31 December 2017: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 28 Bonds payable

##### *The Group and the Company*

Item	Period	Issue date	Issuing amount RMB	Carrying amount as at 1 January 2018 RMB	Amortisation for the year RMB	Bonds redeemed during the year RMB	Carrying amount as at 31 December 2018 RMB
2014 corporate bond (first phase)	7 years	28/09/2015	400,000,000.00	397,425,573.18	498,759.96	—	397,924,333.14
2014 corporate bond (second phase)	5 years	17/12/2015	380,000,000.00	377,885,243.01	530,052.66	(40,000,000.00)	338,415,295.67
<b>Total</b>			<b>780,000,000.00</b>	<b>775,310,816.19</b>	<b>1,028,812.62</b>	<b>(40,000,000.00)</b>	<b>736,339,628.81</b>

On 28 September 2015, the Company entrusted Morgan Stanley Huaxin Securities Company Limited as the lead underwriter and issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB400.00 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. The Company will be entitled at its option to adjust its bond rate and the investors will be entitled to request the Company to redeem the bonds after five years of the issue date. On 17 December 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB380.00 million with a term of 5 years. The Company will be entitled at its option to adjust its bond rate and the investors will be entitled to request the Company to redeem the bonds after three years of the issue date. Relevant interest is calculated and paid annually at a coupon rate of 3.58% per annum for the first three years (from 17 December 2015 to 16 December 2018), after three years of the issue date the Company exercised the option to raise the coupon rate to 4.50% per annum. On 17 December 2018, the Company redeemed the bonds with the amount of RMB40 million.

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 FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 29 Long-term payables

#### The Group

	Note	31 December 2018 RMB	31 December 2017 RMB (Restated)
Obligations under finance lease	(1)	214,329,601.98	160,712,080.18
Payables for vehicles purchase		117,071,904.87	2,619,809.76
Station construction fees		24,238,866.00	17,380,376.00
Deposits		13,748,099.42	16,696,786.35
Rent of land use rights		9,920,677.44	13,080,602.56
Others		110,263.06	709,291.42
<b>Total</b>		<b>379,419,412.77</b>	<b>211,198,946.27</b>
Less: Long-term payables due within one year			
Including: Obligations under finance lease		58,614,567.10	41,157,401.09
Payables for purchasing vehicles		35,447,842.40	2,563,187.58
Rent of landuse rights		2,541,000.00	2,310,000.04
<b>Sub-total (Note V.26)</b>		<b>96,603,409.50</b>	<b>46,030,588.71</b>
<b>Long-term payables due after one year</b>		<b>282,816,003.27</b>	<b>165,168,357.56</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 29 Long-term payables (Continued)

- (1) The obligations under finance lease are represent payables for cars under finance lease. As at 31 December, the total future minimum lease payment of finance lease is as follows:

	31 December 2018 RMB	31 December 2017 RMB
Within 1 year (inclusive)	66,610,135.80	47,360,135.80
Over 1 year but within 2 years (inclusive)	66,610,135.80	47,360,135.80
Over 2 years but within 3 years (inclusive)	61,988,899.20	47,360,135.80
Over 3 years	35,875,000.00	33,113,899.20
Sub-total	231,084,170.80	175,194,306.60
Less: Unrecognised finance charges	16,754,568.82	14,482,226.42
Carrying amounts	214,329,601.98	160,712,080.18

#### 30 Long-term employee benefits payable

*The Group*

	Note V	2018 RMB	2017 RMB (Restated)
Termination benefits		175,299,785.32	192,000,386.49
Less: Settled within one year	23	11,553,448.14	10,729,642.10
<b>Total</b>		<b>163,746,337.18</b>	<b>181,270,744.39</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 30 Long-term employee benefits payable (Continued)

The above termination benefits are classified as post-employment benefits – defined contribution plans. The Group provides the staff in some of its subsidiaries with the following two kinds of defined contribution plans of post-employment benefits:

- (i) Retirement subsidy plan: retired staff are entitled to a supplementary monthly pension after meeting specific requirements. The pension amounts are determined at a level of a certain proportion of the respective staff's final wages before retirement. As of 31 December 2018, there was no adjustment to the retirement subsidy plan above made by the Group.
- (ii) Post-retirement medical care plan: purchase medical care insurance for retired staff for certain years.

The above defined benefit plans expose the Group to actuarial risk such as longevity risk and inflation risk. Disclosures are summarised as follows since defined benefit plans discussed above have same risks and characteristics:

- (a) Amounts recognised in the financial statements and related movements in liability of defined benefit plans are as follows:

	2018 RMB	2017 RMB (Restated)
Balance at the beginning of the year	192,000,386.49	208,178,320.43
Included in profit or loss:		
– Current cost	4,291,562.97	1,603,363.27
– Net interest	3,927,542.21	3,620,859.34
Included in other comprehensive income:		
– Actuarial loss	(2,147,167.03)	(386,212.09)
Other movements		
– Benefits paid	(22,772,539.32)	(21,015,944.46)
Balance at the end of the year	175,299,785.32	192,000,386.49
Including: Retirement subsidy plan	170,313,379.44	182,019,400.66
Post-retirement medical benefits plan	4,986,405.88	9,980,985.83

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 30 Long-term employee benefits payable (Continued)

(ii) Post-retirement medical care plan: purchase medical care insurance for retired staff for certain years. (Continued)

(b) Actuarial assumptions and sensitivity analysis

The following are the principal actuarial assumptions adopted by the Group to evaluate the present value of the defined benefit plan obligations:

	2018	2017
Discount rate	3.21% – 4.42%	2.79% – 4.22%
Average longevity expectancy	75 – 82.5 years	75 – 82.5 years

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date, holding other assumptions constant, would have affected the defined benefit obligations of the Group by the amounts shown below:

2018:

	The Group	
	Increase RMB	Decrease RMB
Discount rate (changes 0.1%)	750,763.79	718,815.86
Average longevity expectancy (changes 1 year)	2,473,232.22	2,653,251.21

2017:

	The Group	
	Increase RMB	Decrease RMB
Discount rate (changes 0.1%)	720,412.85	808,180.48
Average longevity expectancy (changes 1 year)	2,648,397.13	2,807,987.74

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide the approximation of the sensitivity of the assumptions shown.

#### 31 Provisions

As at 31 December 2018, the provision was made for compensations for pending lawsuits. As at 31 December 2017, the provision was made for a traffic accident compensation by the Group's subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 32 Deferred income

##### *The Group*

	31 December 2018 RMB	31 December 2017 RMB (Restated)
Government grant related to assets (Note V.45(1))	246,542,494.46	256,080,631.88
Prepayments of gas station contracts and others	291,951,037.58	305,258,352.31
Sub-total	538,493,532.04	561,338,984.19
Less: Government grants due within one year (Note V.26)	48,629,127.26	40,627,712.25
Deferred income due after one year	489,864,404.78	520,711,271.94

#### 33 Share capital

##### *The Group and the Company*

	1 January 2017, 31 December 2017 and 31 December 2018 RMB
I. Restricted tradable shares	
1. State-owned shares	—
2. State-owned representative shares	—
3. Other domestic-owned shares	—
Total restricted tradable shares	—
II. Tradable shares	
1. Ordinary shares denominated in RMB	592,847,800.00
2. Foreign-owned shares listed overseas	207,000,000.00
Total tradable shares	799,847,800.00
Total shares	799,847,800.00

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 34 Capital Reserve

##### *The Group*

Items	Balance as at 1 January 2018 RMB	Additions during the year RMB	Reductions during the year RMB	Balance as at 31 December 2018 RMB
Share premium	196,713,383.50	—	(196,713,383.50)	—
Other capital reserve	18,800,491.50	—	—	18,800,491.50
<b>Total</b>	<b>215,513,875.00</b>	<b>—</b>	<b>(196,713,383.50)</b>	<b>18,800,491.50</b>

In 2018, as a result of the common control transactions, the share premium, surplus reserve and the retained earnings of the Group decreased by RMB196,713,383.50, RMB9,829,606.40 and RMB88,466,457.62 respectively.

Items	Balance as at 1 January 2017 RMB	Additions during the year RMB	Reductions during the year RMB	Balance as at 31 December 2017 RMB
Share premium	267,165,836.69	—	(70,452,453.19)	196,713,383.50
Other capital reserve	18,800,491.50	—	—	18,800,491.50
<b>Total</b>	<b>285,966,328.19</b>	<b>—</b>	<b>(70,452,453.19)</b>	<b>215,513,875.00</b>

In 2017, as a result of the common control transactions, the disposal of subsidiaries and the purchase of minority interest, the share premium of the Group decreased by RMB53,710,222.59, RMB10,667,240.11 and RMB6,074,990.49 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 34 Capital Reserve (Continued)

#### The Company

Items	Balance as at 1 January 2018 RMB	Additions during the year RMB	Reductions during the year RMB	Balance as at 31 December 2018 RMB
Share premium	233,390,031.30	—	(35,473,461.52)	197,916,569.78
Other capital reservers	12,630,075.81	—	—	12,630,075.81
<b>Total</b>	<b>246,020,107.11</b>	<b>—</b>	<b>(35,473,461.52)</b>	<b>210,546,645.59</b>

Items	Balance as at 1 January 2017 RMB	Additions during the year RMB	Reductions during the year RMB	Balance as at 31 December 2017 RMB
Share premium	233,390,031.30	—	—	233,390,031.30
Other capital reservers	12,630,075.81	—	—	12,630,075.81
<b>Total</b>	<b>246,020,107.11</b>	<b>—</b>	<b>—</b>	<b>246,020,107.11</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 35 Other comprehensive income

	The Group			
	Balance at the beginning of the year attributable to shareholders of the Company	Increase/ (decrease) during the year	Less: Attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the Company
	RMB	RMB	RMB	RMB
Remeasurement of defined benefit plan liability	(3,639,011.21)	2,147,167.03	598,143.66	(2,089,987.84)
Changes in fair value gains or losses on investments in other equity instruments	—	109,360.02	—	109,360.02
Translation differences of foreign currency financial statements	(30,775,828.53)	14,951,147.65	5,411,888.54	(21,236,569.42)
<b>Total</b>	<b>(34,414,839.74)</b>	<b>17,207,674.70</b>	<b>6,010,032.20</b>	<b>(23,217,197.24)</b>

#### 36 Specific reserve

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Balance at the beginning of the year	<b>34,202,615.37</b>	34,953,712.42	—	—
Additions during the year	<b>29,556,279.33</b>	30,680,443.91	<b>525,000.00</b>	219,102.00
Reductions during the year	<b>(36,211,058.50)</b>	(31,431,540.96)	<b>(525,000.00)</b>	(219,102.00)
Balance at the end of the year	<b>27,547,836.20</b>	34,202,615.37	—	—

According to the Administration instruction on using and provision of enterprises' safety specific reserve (Caiqi [2012] 16) and Administration instruction of safely operation of Guangdong Yueyun Transportation Co., Ltd., transportation enterprises should provide safety reserve monthly based on last year's actual operating income, at the rates of 1% for ordinary freight transportation service and 1.5% for passengers transportation service, respectively. Enterprises serve for production and storage of hazardous goods should set provision of safety reserve by regressive method monthly based on last year's actual operating income.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 37 Surplus reserve

	The Group RMB	The Company RMB (Restated)
Balance as at 1 January 2017	160,596,169.46	150,375,506.17
Additions during the year	26,072,265.13	24,762,375.26
Balance as at 31 December 2017	<b>186,668,434.59</b>	<b>175,137,881.43</b>
Additions during the year	<b>16,800,814.37</b>	<b>16,800,814.37</b>
Reduction during the year (Note V 34)	<b>(9,829,606.40)</b>	—
Balance as at 31 December 2018	<b>193,639,642.56</b>	<b>191,938,695.80</b>

Statutory surplus reserve can be used to make up for the losses, expand the production and operation or to be transferred to increase capital; when being transferred to capital, the statutory surplus reserve remained shall be no less than 25% of the Company's registered capital before the surplus reserve was transferred to increase capital.

#### 38 Retained earnings

	Note	The Group 2018 RMB	2017 RMB (Restated)
Retained earnings at the beginning of the year		<b>1,275,233,926.21</b>	994,629,115.47
Add: Net profit for the year attributable to the shareholders of the Company		<b>327,385,871.78</b>	428,559,816.71
Less: Appropriation for statutory surplus reserve		<b>(16,800,814.37)</b>	(26,072,265.13)
Final dividends in respect of the previous financial year, approved and declared during the year	(1)	<b>(127,975,648.00)</b>	(121,882,740.84)
Purchase of non-controlling interests		<b>(4,041,990.56)</b>	—
Business combinations under common control (Note V.34)		<b>(88,466,457.62)</b>	—
Retained earnings at the end of the year	(2)	<b>1,365,334,887.44</b>	1,275,233,926.21

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 38 Retained earnings (Continued)

		The Company	
	Note	2018 RMB	2017 RMB
Retained earnings at the beginning of the year		230,676,451.45	116,734,418.57
Add: Net profit for the year		168,008,143.66	242,684,622.14
Less: Appropriation for statutory surplus reserve		16,800,814.37	24,762,375.26
Final dividends in respect of the previous financial year, approved and declared during the year	(1)	127,975,648.00	103,980,214.00
Retained earnings at the end of the year	(3)	253,908,132.74	230,676,451.45

- (1) A final dividend of RMB0.16 per share (tax included) for year 2017 were approved for distribution by shareholders at the Annual General Meeting held on 19 June 2018. The total amount of 2017 final dividend was RMB127,975,648.00, calculated based on the total number of shares of 799,847,800 after taking into account of the conversion of PSCS (2017: RMB0.13 per share(tax included), amounting to RMB103,980,214.00 in total).
- (2) As at 31 December 2018, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB366,366,703.44 (31 December 2017: RMB384,074,771.46).
- (3) As of 31 December 2018, the Company's distributable profits is RMB253,908,132.74. (As of 31 December 2017, the Company's distributable profits amounted to RMB230,676,451.45).
- (4) On 13 March 2019, the Board of Directors approved to recommend distribution of final dividend of 2018 of the Company of RMB0.17 before tax per share, totalling RMB135,974,126.00, calculated based on the total number of shares of 799,847,800 of the Company as of 31 December 2018. The above proposal is subject to approval at the annual general meeting.



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 39 Operating income and operating costs

#### (1) Operating income and operating costs

##### The Group

	2018		2017	
	Operating income RMB	Operating cost RMB	Operating income RMB (Restated)	Operating cost RMB (Restated)
Operating income from principal activities	6,288,309,109.19	5,211,928,893.79	7,539,737,138.14	6,081,243,634.86
Other operating income	6,902,123.98	7,275,979.27	4,274,725.06	10,498,454.41
<b>Total</b>	<b>6,295,211,233.17</b>	<b>5,219,204,873.06</b>	<b>7,544,011,863.20</b>	<b>6,091,742,089.27</b>

##### The Company

	2018		2017	
	Operating income RMB	Operating cost RMB	Operating income RMB	Operating cost RMB
Operating income from principal activities	852,262,694.49	628,013,593.70	1,304,519,943.21	1,079,072,601.13

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 39 Operating income and operating costs (Continued)

##### (1) Operating income and operating costs (Continued)

Details of operating income are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
1. Operating income from principal activities				
Road passenger transportation and auxiliary services (Note 1)	3,415,460,955.08	3,456,703,174.99	6,292,659.83	7,614,974.71
Expressway service zones services	1,715,907,492.33	1,311,452,263.58	—	—
Taiping interchange assets operation services	220,019,375.74	213,126,878.27	220,019,375.74	213,126,878.27
Material logistics services	936,921,286.04	2,558,454,821.30	625,950,658.92	1,083,778,090.23
Sub-total	6,288,309,109.19	7,539,737,138.14	852,262,694.49	1,304,519,943.21
2. Other operating income	6,902,123.98	4,274,725.06	—	—
<b>Total</b>	<b>6,295,211,233.17</b>	<b>7,544,011,863.20</b>	<b>852,262,694.49</b>	<b>1,304,519,943.21</b>

Note 1: Operating income of Foshan City Yueyun Public Transportation Company Limited and Foshan City Sanshui District Yueyun Transportation Company Limited includes income derived from their operations of public traffic community business (hereinafter referred to as "TC Business"). Pursuant to the Public Traffic Service Contract signed between Foshan City Yueyun Public Transportation Company Limited and Foshan Chancheng Public Transport Management Co., Ltd., Foshan City Sanshui District Yueyun Transportation Company Limited and Foshan City Sanshui District Transportation and City Management Bureau, Foshan City Yueyun Public Transportation Company Limited and Foshan City Sanshui District Yueyun Transportation Company Limited shall operate certain bus lines in and all fare income derived from routes operation shall be enjoyed by Foshan Chancheng Public Transport Management Co., Ltd., and Foshan City Sanshui District Transportation and City Management Bureau, while Foshan City Yueyun Public Transportation Company Limited and Foshan City Sanshui District Yueyun Transportation Company Limited shall settle operating income with Foshan Chancheng Public Transport Management Co., Ltd., and Foshan City Sanshui District Transportation and City Management Bureau monthly based on actual operating mileages of each operating route under price per kilometre of each route method as agreed in the Public Traffic Service Contract. During the year, income derived from TC Business was RMB445,538,080.27, representing 7.08% of total operating income (2017: RMB445,543,032.28, representing 5.91% of total operating income).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 39 Operating income and operating costs (Continued)

#### (2) Details of operating income

Details of operating income of the Group in 2018 by principal products and services category and by principle operating area and the operating incomes of each segment (Note V, 54) are as follows:

Items	Note	Travel services RMB	Material logistics RMB	Other business RMB	Inter-segment elimination RMB	Total RMB
Operating income from by principal products and services category	V.39(1)					
Road passenger transportation and auxiliary services		3,415,460,955.08	—	—	—	3,415,460,955.08
Expressway service zones services		1,715,907,492.33	—	—	—	1,715,907,492.33
Taiping interchange assets operation services		220,019,375.74	—	—	—	220,019,375.74
Material logistics services		—	936,921,286.04	—	—	936,921,286.04
<b>Total</b>		<b>5,351,387,823.15</b>	<b>936,921,286.04</b>	<b>—</b>	<b>—</b>	<b>6,288,309,109.19</b>
Operating income by principal operating area						
Mainland China		5,078,023,381.33	936,921,286.04	—	—	6,014,944,667.37
Hong Kong		273,364,441.82	—	—	—	273,364,441.82
<b>Total</b>		<b>5,351,387,823.15</b>	<b>936,921,286.04</b>	<b>—</b>	<b>—</b>	<b>6,288,309,109.19</b>
Other operating income	V.39(1)	—	—	14,322,653.54	(7,420,529.56)	6,902,123.98
<b>Total</b>		<b>5,351,387,823.15</b>	<b>936,921,286.04</b>	<b>14,322,653.54</b>	<b>(7,420,529.56)</b>	<b>6,295,211,233.17</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 40 Taxes and surcharges

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Property tax	17,078,045.67	17,174,170.29	—	—
Urban maintenance and construction tax	9,488,843.10	13,626,017.98	82,644.38	1,991,910.75
Education surcharges and local education surcharges	7,427,771.57	10,453,492.54	151,245.31	1,512,293.39
Cultural undertakings fee	3,954,354.08	3,067,614.07	—	—
Land use tax	2,676,714.13	4,605,778.75	—	—
Others	6,556,929.69	7,244,764.79	1,397,075.56	996,577.41
<b>Total</b>	<b>47,182,658.24</b>	<b>56,171,838.42</b>	<b>1,630,965.25</b>	<b>4,500,781.55</b>

#### 41 Financial expenses

		The Group		The Company	
	Note	2018	2017	2018	2017
		RMB	RMB	RMB	RMB
			(Restated)		(Restated)
Interest expenses from loans, bonds and payables		71,442,175.33	62,452,652.27	33,901,300.31	35,200,733.83
Less: Borrowing costs capitalised	(1)	(8,002,784.60)	(5,593,090.74)	—	—
Net interest expenses		63,439,390.73	56,859,561.53	33,901,300.31	35,200,733.83
Less: Interest income		(21,196,873.11)	(15,418,051.93)	(15,077,066.49)	(30,023,149.75)
Exchange losses/(gains)		774,364.69	(3,003,336.75)	543,454.73	(3,020,154.53)
Amortisation of unrecognized financing charges		14,172,666.10	11,700,529.26	—	—
Others		7,453,082.64	8,630,202.49	1,220,344.26	2,580,297.45
Total		64,642,631.05	58,768,904.60	20,588,032.81	4,737,727.00

Note:

(1) Capitalised borrowing costs of the Group in 2018 was RMB8,002,784.60 (2017: RMB5,593,090.74), with a capitalisation rate of 5% (2017: 5%).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 42 Impairment losses

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Prepayments	78,863.32	363.90	—	—
Inventories	—	3,637,770.17	—	—
Fixed assets	3,489,850.82	3,421,457.35	—	—
Other Non-current asset/ Construction in progress	2,383,522.75	3,934,508.02	—	—
<b>Total</b>	<b>5,952,236.89</b>	<b>10,994,099.44</b>	<b>—</b>	<b>—</b>

### 43 (Reversal)/accrual of credit losses

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Accounts receivable	(36,518,790.86)	14,586,741.94	(17,774,729.31)	3,410,342.67
Other receivables	15,631,004.52	3,541,275.76	(1,854,749.30)	(1,252,062.57)
Long-term receivables	—	3,211,168.14	—	—
<b>Total</b>	<b>(20,887,786.34)</b>	<b>21,339,185.84</b>	<b>(19,629,478.61)</b>	<b>2,158,280.10</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 44 Investment income

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Income from investments in subsidiaries accounting for using cost method	—	—	48,590,048.37	115,058,190.23
Income from investments in associates accounting for using equity method	20,566,831.26	32,788,082.44	18,806,208.64	30,563,987.65
Income from investments in joint ventures accounting for using equity method	12,538,963.45	13,237,159.82	(1,613,560.50)	—
Gains on disposal of long-term equity investments	1,350,792.73	1,640,278.48	—	—
Others	(459,381.39)	(459,381.39)	928,879.29	986,676.26
Total	33,997,206.05	47,206,139.35	66,711,575.80	146,608,854.14
Including:				
Income from investments in associates accounting for using equity method attributable to shareholders of the company	20,388,617.70	32,281,223.18	18,806,208.64	30,563,987.65
Income from investments in joint ventures accounting for using equity method attributable to shareholders of the company	13,019,556.01	12,974,500.00	(1,613,560.50)	—

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 45 Government grants

#### The Group

#### Other income

	2018 RMB	2017 RMB (Restated)
Government grants related to assets	46,780,069.59	57,764,290.85
Government grants related to income	198,818,508.96	114,995,918.40
<b>Total</b>	<b>245,598,578.55</b>	<b>172,760,209.25</b>

#### (1) Government grants related to assets

The government grants of the Group related to assets for 2018 are summarised as follows:

Items	Balance at the beginning of the year RMB (Restated)	Additions during the year RMB	Recognition as other income RMB	Deduction resulting from the change of consolidation scope RMB	Balance at the end of the year RMB
Subsidies for vehicles replacement	9,114,304.74	1,797,364.95	(2,605,004.17)	—	8,306,665.52
Subsidies for fixed assets renovation	85,799,099.98	10,530,000.00	(6,960,261.06)	(1,883,333.45)	87,485,505.47
Tax subsidies for vehicles purchase	13,714,643.27	—	(425,531.88)	—	13,289,111.39
Subsidies for procurement of new energy vehicles	142,418,510.41	27,126,799.54	(36,349,445.78)	—	133,195,864.17
Software development subsidies	300,000.00	—	—	—	300,000.00
Other subsidies related to assets	4,734,073.48	376,656.88	(439,826.70)	(705,555.75)	3,965,347.91
<b>Total</b>	<b>256,080,631.88</b>	<b>39,830,821.37</b>	<b>(46,780,069.59)</b>	<b>(2,588,889.20)</b>	<b>246,542,494.46</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 45 Government grants (Continued)

##### (2) Government grants related to income

Government grants of the Group and the Company that are related to income for 2018 are summarised as follows:

*Impact on income statement items*

(a) Offsetting against operation costs:

Item	The Group	
	2018 RMB	2017 RMB (Restated)
Fuel subsidies	154,075,820.07	109,130,387.85

(b) Recognising as other income:

Items	The Group	
	2018 RMB	2017 RMB (Restated)
Subsidies for operation of bus lines	134,509,369.72	67,559,939.74
Subsidies for operation of new energy vehicles	53,100,000.00	36,093,338.47
Subsidies of elderly concessionary travel card	7,699,139.24	10,122,640.18
Other subsidies	3,510,000.00	1,220,000.01
<b>Total</b>	<b>198,818,508.96</b>	<b>114,995,918.40</b>

(c) Recognising as non-operating income:

Items	The Group		The Company	
	2018 RMB	2017 RMB (Restated)	2018 RMB	2017 RMB
Subsidies for vehicles disposals	1,175,000.00	4,126,000.00	—	—
Other subsidies	1,651,292.33	4,173,719.29	—	90,996.87
<b>Total</b>	<b>2,826,292.33</b>	<b>8,299,719.29</b>	<b>—</b>	<b>90,996.87</b>



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 46 Gains from asset disposals

The Group		
	2018	2017
	RMB	RMB
		(Restated)
Gains from disposal of fixed assets	11,987,867.69	255,021.30
Gains from disposal of other non-current assets	2,462,594.10	3,289.57
<b>Total</b>	<b>14,450,461.79</b>	<b>258,310.87</b>

#### 47 Non-operating income

The Group			The Company	
Note	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		
Gains on disposal of non-current/assets	492,981.09	1,015,150.16	—	—
Government grants (1)	2,826,292.33	8,299,719.29	—	90,996.87
Compensations	1,984,861.66	909,738.85	171,938.76	—
Others	11,058,489.74	12,216,223.18	0.84	470.09
<b>Total</b>	<b>16,362,624.82</b>	<b>22,440,831.48</b>	<b>171,939.60</b>	<b>91,466.96</b>

Note:

(1) Government grants

The government grants of the Group and the Company recognised as non-operating income in 2018 and 2017 is disclosed in Note V 45(2) (c).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 48 Non-operating expenses

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Losses on disposal of non-current assets	5,549,538.37	5,223,259.96	—	—
Road accidents losses	4,664,563.10	3,985,210.75	—	—
Donations	989,623.99	1,017,227.50	—	1,500.00
Penalty expenses	1,439,941.80	806,070.40	—	—
Others	2,393,725.85	1,481,620.27	—	—
<b>Total</b>	<b>15,037,393.11</b>	<b>12,513,388.88</b>	<b>—</b>	<b>1,500.00</b>

#### 49 Income tax expenses

##### The Group

##### (1) Income tax expenses

	2018	2017
	RMB	RMB
		(Restated)
Current tax expense for the year based on tax law and regulations	113,676,722.83	180,665,917.70
Including: Mainland China	113,591,739.50	179,449,406.91
Hong Kong	84,983.33	1,216,510.79
Adjustments of tax filing differences	(235,509.89)	(601,151.02)
Changes in deferred tax	35,812,949.70	2,858,765.86
<b>Total</b>	<b>149,254,162.64</b>	<b>182,923,532.54</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 49 Income tax expenses (Continued)

##### The Group (Continued)

(2) Reconciliation between income tax expenses and accounting profit is as follows:

	2018 RMB	2017 RMB (Restated)
Profits before taxation	528,387,215.13	722,505,829.18
Expected income tax expense at tax rate of 25% (2017: 25%)	132,096,803.78	180,626,457.30
Effect of non-deductible expenses	11,075,249.91	8,442,716.04
Effect of non-taxable income	(17,901,069.43)	(20,729,428.74)
Effect of unrecognised deductible tax losses and temporary differences	29,342,294.75	26,483,338.08
Effect of utilisation of temporary differences and deductible tax losses in previous years	(4,288,093.71)	(9,991,326.57)
Effect of different tax rates applied by certain subsidiaries	(835,512.77)	(1,307,072.55)
Adjustments of tax filing differences	(235,509.89)	(601,151.02)
<b>Total</b>	<b>149,254,162.64</b>	<b>182,923,532.54</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 49 Income tax expenses (Continued)

#### The Company

##### (1) Income tax expenses

	2018	2017
	RMB	RMB
Current tax expense for the year based on tax law and regulations	27,541,483.76	34,173,247.88
Adjustments of tax filing differences	474,857.95	391,709.12
Changes in deferred tax	6,508,209.36	(1,787,903.82)
<b>Total</b>	<b>34,524,551.07</b>	<b>32,777,053.18</b>

##### (2) Reconciliation between income tax expense and accounting profit is as follows:

	2018	2017
	RMB	RMB
Profits before taxation	202,532,694.73	275,461,675.32
Expected income tax expense at tax rate of 25% (2017: 25%)	50,633,173.68	68,865,418.83
Effect of non-deductible expenses	94,413.39	172,138.77
Effect of non-taxable investment income	(16,677,893.95)	(36,652,213.54)
Adjustments of tax filing differences	474,857.95	391,709.12
<b>Total</b>	<b>34,524,551.07</b>	<b>32,777,053.18</b>

The details of the Company and its subsidiaries' applicable income tax rates are set out in Note III.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 50 Earnings per share

##### (1) Basic earnings per share

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

	2018 RMB	2017 RMB (Restated)
Consolidated net profit attributable to ordinary shareholders of the Company (Note)	327,385,871.78	428,559,816.71
Weighted average number of ordinary shares outstanding	799,847,800.00	799,847,800.00
Basic earnings per share (RMB/share)	0.41	0.54

Weighted average number of ordinary shares is calculated as follows:

	2018 Shares	2017 Shares
Issued ordinary shares at the beginning and the end of the year	799,847,800.00	799,847,800.00
Weighted average number of ordinary shares at the end of the year	799,847,800.00	799,847,800.00

Note: On 21 December 2017, the Group entered into the Asset Swap Agreement with Yueyun Investment Management, a subsidiary of GCGC. The Group completed the Asset Swap Agreement transaction with Yueyun Investment Management on 30 March 2018 by way of transferring to the Group 100% equity of Meizhou Yueyun Group. The restated consolidated net profit attributable to ordinary shareholders of the Company in 2017 has included the net profit of Meizhou Yueyun Group attributable to ordinary shareholders of the Company.

##### (2) Diluted earnings per share

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted). The calculation result is the same as basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 51 Other comprehensive income, net of tax

#### The Group

	Balance at the beginning of the year RMB	Charge to other comprehensive income during the year RMB	Transfer to profit or loss during the year RMB	Balance at the end of the year RMB
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit plan liability				
(1) Attributable to shareholders of the Company	(3,639,011.21)	1,549,023.37	—	(2,089,987.84)
(2) Attributable to non-controlling interests	(2,253,790.34)	598,143.66	—	(1,655,646.68)
Investments in other equity instruments				
(1) Attributable to shareholders of the Company	—	109,360.02	—	109,360.02
Subtotal	(5,892,801.55)	2,256,527.05	—	(3,636,274.50)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements denominated in foreign currencies				
(1) Attributable to shareholders of the Company	(30,775,828.53)	9,539,259.11	—	(21,236,569.42)
(2) Attributable to non-controlling interests	(18,805,742.40)	5,411,888.54	—	(13,393,853.86)
Subtotal	(49,581,570.93)	14,951,147.65	—	(34,630,423.28)
Total	(55,474,372.48)	17,207,674.70	—	(38,266,697.78)

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 52 Supplement to income statement

Expenses are analysed by their nature as follows:

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		(Restated)
Operating income	6,295,211,233.17	7,544,011,863.20	852,262,694.49	1,304,519,943.21
Less: Changes in finished goods	1,966,004,766.27	2,897,074,393.50	586,684,934.70	1,016,889,535.06
Employee benefits expenses	1,840,876,089.90	1,795,596,639.44	48,032,471.86	45,777,124.16
Depreciation and amortization	621,298,211.29	546,411,128.40	22,911,998.92	20,925,052.42
Raw materials used	95,441,908.49	267,702,516.52	—	—
Rental expenses	247,093,776.29	215,098,685.46	8,731,104.00	7,453,257.14
Financial expenses	64,642,631.05	58,768,904.60	20,588,032.81	4,737,727.00
Other income	(245,598,578.55)	(172,760,209.25)	—	—
Impairment losses	5,952,236.89	10,994,099.44	—	—
Accrual of credit (reversal)/losses	(20,887,786.34)	21,339,185.84	(19,629,478.61)	2,158,280.10
Investment income	(33,997,206.05)	(47,206,139.35)	(66,711,575.80)	(146,608,854.14)
Other expenses	1,227,323,200.51	1,238,414,272.02	49,294,451.48	77,816,113.11
Operating profit	527,061,983.42	712,578,386.58	202,360,755.13	275,371,708.36

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 53 Supplement to cash flow statement

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

##### The Group

	2018	2017
	RMB	RMB
Net profit	379,133,052.49	539,582,296.64
Add: (Reversal)/provisions for impairment of assets and credit loss	(14,935,549.45)	32,333,285.28
Depreciation of fixed assets	528,785,435.47	460,608,982.69
Depreciation of investment properties	3,009,534.84	4,921,838.43
Amortisation of intangible assets	64,485,550.09	64,372,195.72
Amortisation of long-term deferred expenses	25,017,690.89	16,508,111.56
Net (gains)/losses on disposal of fixed assets, intangible assets, and other long-term assets	(9,393,904.51)	3,949,798.93
Financial expenses	72,732,987.29	65,556,754.04
Investment income	(33,997,206.05)	(47,206,139.35)
Decrease in deferred tax assets	16,668,359.69	10,383,628.67
Increased/(decrease) in deferred tax liabilities	23,321,709.22	(4,289,705.34)
Increase in inventories	(50,428,281.21)	(55,912,634.10)
Increase/(decrease) in operating receivables	24,170,723.02	(439,313,692.30)
(Decrease) /Increase in operating payables	(565,087,491.41)	83,614,400.60
(Decrease) /Increase in specific reserve	(11,792,707.64)	744,035.43
Increase in restricted cash	(10,311,176.22)	(5,724,078.18)
(Increase) /decrease in long-term receivables	(2,072,777.63)	9,437,883.49
(Decrease) /Increase in long-term payables	(4,397,640.41)	2,211,642.16
Net cash inflow from operating activities	434,908,308.47	741,778,604.37



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 53 Supplement to cash flow statement (Continued)

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

###### The Company

	2018 RMB	2017 RMB
Net profit	168,008,143.66	242,684,622.14
Add: (Reversal)/provisions for impairment of assets and credit loss	(19,629,478.61)	2,158,280.10
Depreciation of fixed assets	1,259,623.52	874,293.23
Amortisation of intangible assets	19,430,945.50	17,616,794.17
Amortisation of long-term deferred expenses	2,221,429.90	2,433,965.02
Financial expenses	21,538,687.78	12,894,673.07
Investment loss	(66,711,575.80)	(146,608,854.14)
Decrease/(Increase) in deferred tax assets	6,508,209.36	(1,787,903.82)
Decrease/(Increase) in inventories	14,348,711.66	(12,171,595.31)
Decrease/(Increase) in operating receivables	334,436,038.61	(245,262,858.86)
(Decrease) /Increase in operating payables	(519,515,873.98)	239,691,083.67
Net cash (outflow)/inflow from operating activities	(38,105,137.40)	112,522,499.27

##### (2) Change in cash and cash equivalents:

###### The Group

	2018 RMB	2017 RMB
Cash and cash equivalents at the end of the year (Note)	1,114,271,816.51	1,857,779,421.60
Less: Cash and cash equivalents at the beginning of the year (Note)	1,857,779,421.60	1,657,882,570.63
Net (decrease)/increase in cash and cash equivalents	(743,507,605.09)	199,896,850.97

Note: As at 31 December 2018, the balance of cash included restricted cash such as security deposits for letter of guarantee, property maintenance funds and tourism quality deposits in an aggregate amount of RMB28,885,883.12 (31 December 2017: RMB18,574,706.90), which was deducted from the balance of cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 53 Supplement to cash flow statement (Continued)

#### (2) Change in cash and cash equivalents: (Continued)

##### The Company

	2018 RMB	2017 RMB
Cash and cash equivalents at the end of the year	622,984,930.41	929,531,026.45
Less: Cash and cash equivalents at the beginning of the year	929,531,026.45	1,109,152,535.46
Net decrease in cash and cash equivalents	(306,546,096.04)	(179,621,509.01)

#### (3) Details of cash and cash equivalents

##### The Group

	2018 RMB	2017 RMB
(a) Cash at bank and on hand		
– Cash on hand	11,935,031.99	15,933,651.79
– Bank deposits available on demand	1,102,336,784.52	1,841,845,769.81
– Cash with restricted usage	28,885,883.12	18,574,706.90
(b) Closing balance of cash and cash equivalents	1,143,157,699.63	1,876,354,128.50
Less: Cash with restricted usage	(28,885,883.12)	(18,574,706.90)
(c) Closing balance of cash and cash equivalents available on demand	1,114,271,816.51	1,857,779,421.60

##### The Company

	2018 RMB	2017 RMB
(a) Cash at bank and on hand		
– Cash on hand	—	142.39
– Bank deposits available on demand	622,984,930.41	929,530,884.06
(b) Closing balance of cash and cash equivalents	622,984,930.41	929,531,026.45
(c) Closing balance of cash and cash equivalents available on demand	622,984,930.41	929,531,026.45

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 53 Supplement to cash flow statement (Continued)

#### (4) Information on acquisition or disposal of subsidiaries during the year:

There's no acquired subsidiaries for the Group in 2018.

*Disposal of subsidiaries:*

#### *The Group*

	2018 RMB
Consideration of disposal	323,389,447.52
Cash and cash equivalents received from disposal of subsidiaries	28,380,000.00
Less: Cash and cash equivalents held by subsidiaries	133,868,801.47
Net cash outflow for the acquisition	(105,488,801.47)
Non-cash assets and liabilities held by the acquired subsidiaries	
Current assets	675,694,638.08
Non-current assets	222,658,555.95
Current liabilities	(706,243,658.78)
Non-current liabilities	(2,588,889.20)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 53 Supplement to cash flow statement (Continued)

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

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

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

- (6) *Significant investing activities that do not involve cash receipts and expenditures:*

#### *The Group*

	2018	2017
	RMB	RMB
Fixed assets under financing lease — Vehicles	—	74,786,324.79

#### 54 Segment reporting

Based on the Group's internal organisation structure, management requirements and internal reporting system, 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.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 54 Segment reporting (Continued)

#### (1) Segment reporting

	2018				
	Travel services	Material logistics	Other business	Inter-segment	Total
	RMB	RMB	RMB	eliminations	RMB
Operating income					
Operating income from external customers	5,351,387,823.15	936,921,286.04	6,902,123.98	—	6,295,211,233.17
Inter-segment operating income	—	—	7,420,529.56	(7,420,529.56)	—
Total segment operating income	5,351,387,823.15	936,921,286.04	14,322,653.54	(7,420,529.56)	6,295,211,233.17
Operating costs	4,327,198,603.81	885,556,363.59	7,304,172.67	(854,267.01)	5,219,204,873.06
Interest in the profit or loss of associates and joint ventures	33,105,794.71	—	—	—	33,105,794.71
Impairment losses	5,952,236.89	—	—	—	5,952,236.89
Depreciation and amortisation	613,445,709.71	6,816,070.15	1,104,791.81	(68,360.38)	621,298,211.29
Profit before income tax	449,075,384.74	78,838,573.79	1,035,114.77	(561,858.17)	528,387,215.13
Income tax expenses	125,946,156.37	20,573,908.48	410,329.16	2,323,768.63	149,254,162.64
Net profit	323,129,228.37	58,264,665.31	624,785.61	(2,885,626.80)	379,133,052.49
Total assets	10,941,931,970.33	30,868,726.02	40,553,542.25	(2,557,045,315.35)	8,456,308,923.25
Total liabilities	5,768,227,930.07	18,583,961.48	54,011,017.78	(918,078,071.38)	4,922,744,837.95
Other important non-cash items:					
– Long-term equity investments in associates and joint ventures	381,990,308.58	—	—	—	381,990,308.58
– The amounts of increase/(decrease) of non-current assets other than long-term equity investments	780,672,054.65	(215,831,051.91)	(1,048,879.73)	3,156,465.82	566,948,588.83

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 54 Segment reporting (Continued)

##### (1) Segment reporting (Continued)

	2017				
	Travel services	Material logistics	Other business	Inter-segment eliminations	Total
	RMB	RMB	RMB	RMB	RMB
	Restated	Restated	Restated	Restated	Restated
Operating income					
Operating income from external customers	4,981,282,316.84	2,558,454,821.30	4,274,725.06	—	7,544,011,863.20
Inter-segment operating income	123,252.28	—	14,725,801.60	(14,849,053.88)	—
Total segment operating income	4,981,405,569.12	2,558,454,821.30	19,000,526.66	(14,849,053.88)	7,544,011,863.20
Operating costs	3,759,637,267.84	2,326,853,317.26	10,498,454.41	(5,246,950.24)	6,091,742,089.27
Interest in the profit or loss of associates and joint ventures	46,025,242.26	—	—	—	46,025,242.26
Impairment losses	10,994,099.44	—	—	—	10,994,099.44
Depreciation and amortisation	530,464,902.55	15,582,304.21	1,132,455.05	(768,533.41)	546,411,128.40
Profit before income tax	567,107,148.86	152,766,713.71	1,836,873.23	795,093.38	722,505,829.18
Income tax expenses	144,285,319.45	36,959,354.60	861,340.92	817,517.57	182,923,532.54
Net profit	422,821,829.41	115,807,359.11	975,532.31	(22,424.19)	539,582,296.64
Total assets	9,938,794,750.34	2,308,397,745.71	39,435,337.21	(3,103,001,298.69)	9,183,626,534.57
Total liabilities	5,166,254,743.40	2,172,758,025.26	53,517,598.35	(1,887,143,401.05)	5,505,386,965.96
Other important non-cash items:					
– Long-term equity investments in associates and joint ventures	332,013,785.00	—	—	—	332,013,785.00
– The amounts of increase/(decrease) of non-current assets other than long-term equity investments	365,827,450.00	(5,092,249.78)	(1,075,577.26)	6,350,421.62	366,010,044.58

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

#### 54 Segment reporting (Continued)

##### (2) Geographic information

The following table sets out information about the geographical location of the Group's operating income from external customers and the Group's non-current assets (excluding financial instruments, deferred tax assets, same as below). The geographical information is based on the location of customers receiving services or goods. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates and joint ventures.

	Operating income from external customers		Non-current assets	
	2018 RMB	2017 RMB	2018 RMB	2017 RMB
China				
Including: Mainland China	6,021,846,791.35	7,302,535,360.32	5,624,994,196.38	5,029,474,906.92
Hong Kong	273,364,441.82	241,476,502.88	208,233,589.66	186,827,766.71
<b>Total</b>	<b>6,295,211,233.17</b>	<b>7,544,011,863.20</b>	<b>5,833,227,786.04</b>	<b>5,216,302,673.63</b>

##### (3) Major customers

Operating income from each individual customer of the Group is below 10% of the Group's total operating income in 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

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

### 55 Net current (liabilities)/assets

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		
Current assets	2,426,194,394.18	3,751,259,482.51	926,904,939.80	2,131,528,515.39
Less: Current liabilities	2,426,377,347.23	3,274,756,732.18	712,575,382.99	1,414,144,263.94
Net current (liabilities)/assets	(182,953.05)	476,502,750.33	214,329,556.81	717,384,251.45

### 56 Total assets less current liabilities

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
		(Restated)		
Total assets	8,456,308,923.25	9,183,626,534.57	2,905,156,285.93	3,641,137,320.12
Less: Current liabilities	2,426,377,347.23	3,274,756,732.18	712,575,382.99	1,414,144,263.94
Total assets less current liabilities	6,029,931,576.02	5,908,869,802.39	2,192,580,902.94	2,226,993,056.18



## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### 1 Information on the parent of the Company

Parent company	Registered place	Business nature	Registered capital RMB	Shareholding percentage (%)	Voting rights percentage (%)	Ultimate holding company
GCGC	Guangzhou, China	Investment Management	26,800,000,000.00	74.12	74.12	GCGC

#### 2 Information on the subsidiaries of the Company

Information on the subsidiaries of the Company is disclosed in Note IV.

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

For information about the significant joint ventures and associates of the Group, refer to Note V.8. Joint ventures and associates that have related party transactions with the Group during this year or the previous year are as follows:

Company	Related party relationships
Roadnet Innovalues Media	Joint venture of a subsidiary of the Company
Guangdong Province Bus Terminal Co., Ltd.	Joint venture of a subsidiary of the Company
Lufeng Shen-Shan Expressway Services Company Limited	Associate of a subsidiary of the Company
Shenzhen Yueyun Investment Development Company Limited ("Shenzhen Yueyun")	Associate of a subsidiary of the Company
Express Cross-Border Coach Management Company Limited	Associate of a subsidiary of the Company
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Associate of a subsidiary of the Company
Guangzhou Tianhe Coach Terminal Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	Associate of a subsidiary of the Company
Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd.	Associate of a subsidiary of the Company
Shantou City Automobile Passenger Traffic Center Co., Ltd.	Associate of a subsidiary of the Company
Jiangmen Guangjiang Expressway Passenger Co., Ltd.	Associate of a subsidiary of the Company
Qingyuan Zhongguan Development Co., Ltd.	Associate of a subsidiary of the Company
Southern United Assets and Equity Exchange Co., Ltd.	Associate of a subsidiary of the Company

# NOTES TO THE FINANCIAL STATEMENTS

(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)

For information about the significant joint ventures and associates of the Group, refer to Note V.8. Joint ventures and associates that have related party transactions with the Group during this year or the previous year are as follows (Continued):

Company	Related party relationships
Guangdong Wangshangfei Logistics Technology Co., Ltd.	Associate of a subsidiary of the Company
Shaoguan Libao Technology Co., Ltd.	Associate of a subsidiary of the Company
Shaoguan City Daxia Tour Bus Company Limited	Associate of a subsidiary of the Company
	Being a subsidiary of the Company before 31 December 2018, and being an associate of a subsidiary of the Company from 31 December 2018
Shaoguan City Xian Tour Transportation Company Limited	Joint venture of a subsidiary of the Company
Guangdong Yuehuahui	

### 4 Information on other related parties

Other related parties	Related party relationships
Guangdong Provincial Highway Construction Company Limited	Controlled by the ultimate holding company
Guangdong Province Road & Bridge Construction Development Company Limited	Controlled by the ultimate holding company
Zhaoqing City Guang-He Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Oriental Thought Technology Company Limited	Controlled by the ultimate holding company
Guangdong Nan Yue Logistics International Services Company Limited	Controlled by the ultimate holding company
Guangdong Xinyue Communications Investment Company Limited	Controlled by the ultimate holding company
Yueyun Investment Management	Controlled by the ultimate holding company
Guangdong Bo-Da Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guangle Expressway Company Limited	Controlled by the ultimate holding company
Guangdong He-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Jiangzhong Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Kai Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Litong Properties Investment Company Limited	Controlled by the ultimate holding company
Guangdong Maozhan Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Meihe Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Shanfen Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Freeway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Changda Highway Engineering Company Limited	Being controlled by the ultimate holding company before 18 August 2018 and being an associate of the ultimate holding company from 18 August 2018
Guangdong Taishan Coastal Expressway Company Limited	Controlled by the ultimate holding company

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 4 Information on other related parties (Continued)

#### Other related parties

Guangdong Province Western Coastal Expressway Zhuhai  
Section Company Limited

Guangdong Yang-Mao Expressway Company Limited

Guangdong Yu-Zhan Expressway Company Limited

Guangdong Yue Dong Freeway Industry Development Company Limited

Guangdong Yue-Gan Expressway Company Limited

Guangdong Yun-Wu Expressway Company Limited

Guangdong Zhaoyang Expressway Company Limited

Guangfo Expressway Company Limited

Guang-Shen-Zhu Expressway Company Limited

Guangzhou Newsoft Technology Company Limited

Guangzhou Xin Yue Asphalt Company Limited

Heyuan He-Long Expressway Company Limited

Jingzhu Expressway Guangzhu Section Company Limited

Weisheng Transportation Enterprises Company Limited

Xinyue Company Limited

Yunfu City Guangyun Expressway Company Limited

Guangdong Western Coastal Expressway Operation Company Limited

Guangdong Western Shen-Shan Expressway Company Limited

Guangdong Gao-Da Property Development Company Limited

Guangdong Province Gongbei Vehicles Transportation Company Limited

Kee Kwan Motor Road Company Limited

Guangdong Province Western Coastal Expressway Xinhui Section  
Company Limited

Weisheng Freight Company Limited

Guangdong High Science and Technology Investment Company Limited

Guangdong Guanghui Expressway Company Limited

#### Related party relationships

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

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Controlled by the ultimate holding company

(Expressed in Renminbi Yuan)

## 4 Information on other related parties (Continued)

Other related parties	Related party relationships
Guangdong Lulutong Company Limited	Controlled by the ultimate holding company
Guangdong Luo-Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Fokai Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Province Expressway Construction Materials Supply Station	Controlled by the ultimate holding company
Kwong Fat Transport Company Limited	Controlled by the ultimate holding company
Guangdong Ping-Xing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong HuaLu Transport Technology Company Limited	Controlled by the ultimate holding company
Guangdong Chao-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Er-Guang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yuejia Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Baomao Expressway Company Limited	Controlled by the ultimate holding company
Kee Kwan Travel Tour Transportation HongKong Company Limited	Controlled by the ultimate holding company
Guangdong Communication Enterprise Investment Company Limited	Controlled by the ultimate holding company
Guangdong Ninghua Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Traffic Development Company Limited	Controlled by the ultimate holding company
Dongguan Weisheng International Logistics Company Limited	Controlled by the ultimate holding company
Guangdong Kee Kwan Transportation Company Limited	Controlled by the ultimate holding company
Guangdong Road and Bridge Electronics Company Limited	Controlled by the ultimate holding company
Guangdong Guangfozhao Expressway Company Limited	Controlled by the ultimate holding company
GCG Finance	Controlled by the ultimate holding company
Guangdong Union Electronic Service Company Limited (“Union Electronic”)	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 Province Yue-zhan High Speed Passenger Traffic Co., Ltd.	Controlled by the ultimate holding company

(Expressed in Renminbi Yuan)

#### 4 Information on other related parties (Continued)

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# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year

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

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

The transactions below with related parties were conducted under normal commercial terms or agreements.

#### (1) Purchases and receipt of services (exclude compensation for key management personnel)

##### The Group

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong South China Logistics Enterprise Company Limited#	Purchase of materials	115,221,909.10	—
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Purchase of materials	53,881,531.48	52,794,300.02
Guangzhou Xinyue Company Limited#	Purchase of materials	48,366,229.36	284,470,225.28
Guangdong Yuehuahui	Purchase of materials	1,305,297.62	—
Guangzhou Xin Yue Asphalt Company Limited#	Purchase of materials	11,456.22	82,631,937.53
Others	Purchase of materials	102,970.43	—
<b>Total</b>		<b>218,889,394.21</b>	<b>419,896,462.83</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (1) Purchases and receipt of services (exclude compensation for key management personnel) (Continued)

##### The Group (Continued)

Related Parties	Caption	2018 RMB	2017 RMB
Dongguan Weisheng International Logistics Company Limited <sup>#</sup>	Receipt of services	986,528.81	24,637,994.74
Guangdong HuaLu Transport Technology Company Limited <sup>#</sup>	Receipt of services	416,968.00	1,046,927.00
Guangdong Humen Bridge Company Limited <sup>#</sup>	Receipt of services	6,254,654.99	6,845,416.16
Guangdong Xinyue Communications Investment Company Limited <sup>#</sup>	Receipt of services	—	1,218,667.22
Guangdong Oriental Thought Technology Company Limited <sup>#</sup>	Receipt of services	153,476.22	59,400.00
Others <sup>β</sup>	Receipt of services	1,009,055.40	2,035,297.73
<b>Total</b>		<b>8,820,683.42</b>	<b>35,843,702.85</b>

##### The Company

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong South China Logistics Enterprise Company Limited	Purchase of materials	131,741,263.89	182,808,178.34
Yueyun Transportation (HK) Company Limited	Purchase of materials	19,241,755.66	289,745,142.53
Guangdong Yueyun Jiafu Enterprise Company Limited	Purchase of materials	—	161,400.00
<b>Total</b>		<b>150,983,019.55</b>	<b>472,714,720.87</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (1) Purchases and receipt of services (exclude compensation for key management personnel) (Continued)

###### The Company (Continued)

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong Humen Bridge Company Limited	Receipt of services	6,254,654.99	6,845,416.16
Guangdong Province Transportation Engineering Company Limited	Receipt of services	44,833.00	4,273,592.00
Guangdong HuaLu Transport Technology Company Limited	Receipt of services	416,968.00	1,046,927.00
Others	Receipt of services	850,000.00	4,043,334.09
<b>Total</b>		<b>7,566,455.99</b>	<b>16,209,269.25</b>

##### (2) Sales and rendering of services

###### The Group

Related Parties	Caption	2018 RMB	2017 RMB (Restated)
Guangdong Provincial Changda Highway Engineering Company Limited <sup>#</sup>	Sales of materials	21,304,780.70	281,245,234.07
Guangdong South China Logistics Enterprise Company Limited <sup>#</sup>	Sales of materials	23,793,202.15	—
Guangzhou Xin Yue Asphalt Company Limited <sup>#</sup>	Sales of materials	2,912,123.82	17,559,648.13
Chaozhou City Yueyun Motor Transportation Co., Ltd. <sup>#</sup>	Sales of products	5,838,326.82	300,910.20
Others <sup>β</sup>	Sales of materials/products	923,200.16	554,693.07
<b>Total</b>		<b>54,771,633.65</b>	<b>299,660,485.47</b>



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (2) Sales and rendering of services (Continued)

##### The Group (Continued)

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong Humen Bridge Company Limited <sup>#</sup>	Expressway service operation income	2,469,393.60	—
Zhongyou Top-E Energy	Expressway service operation income	1,400,000.00	—
Guangdong Provincial Changda Highway Engineering Company Limited <sup>#</sup>	Expressway service operation income	546,109.65	3,888,903.16
Others <sup>#</sup>	Expressway service operation income	2,962,396.31	2,287,588.09
<b>Total</b>		<b>7,377,899.56</b>	<b>6,176,491.25</b>

Related Parties	Caption	2018 RMB	2017 RMB
Express Cross-Border Coach Management Company Limited	Logistics service income	33,399,341.33	26,617,980.63
Guangdong Wangshangfei Logistics Technology Co., Ltd.	Logistics service income	18,468,564.25	1,408,869.84
Guangdong Chao-Hui Expressway Company Limited <sup>β</sup>	Logistics service income	1,693,203.88	—
Others <sup>β</sup>	Logistics service income	3,829,943.94	186,214.60
<b>Total</b>		<b>57,391,053.40</b>	<b>28,213,065.07</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (2) Sales and rendering of services (Continued)

##### The Group (Continued)

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong Province Road & Bridge Construction Development Company Limited <sup>#</sup>	Road rescue service income	8,244,084.91	8,244,084.91
Guangdong Provincial Freeway Company Limited <sup>#</sup>	Road rescue service income	7,953,042.45	7,953,043.03
Guangdong Guangle Expressway Company Limited <sup>#</sup>	Road rescue service income	4,202,830.19	4,202,830.19
Guangdong Chao-Hui Expressway Company Limited <sup>#</sup>	Road rescue service income	3,491,037.74	3,491,037.74
Guangdong Er-Guang Expressway Company Limited <sup>#</sup>	Road rescue service income	2,716,981.13	2,716,981.13
Guangdong Guangfozhao Expressway Company Limited <sup>#</sup>	Road rescue service income	2,474,787.74	2,474,787.74
Guangdong Yun-Wu Expressway Company Limited <sup>#</sup>	Road rescue service income	2,317,924.53	2,317,924.53
Guangdong Bo-Da Expressway Company Limited <sup>#</sup>	Road rescue service income	2,108,646.23	2,108,646.23
Guangdong Meihe Expressway Company Limited <sup>#</sup>	Road rescue service income	2,041,556.60	2,041,556.60
Guangdong Provincial Highway Construction Company Limited <sup>#</sup>	Road rescue service income	3,244,542.45	1,958,490.57
Guangdong Kai Yang Expressway Company Limited <sup>#</sup>	Road rescue service income	1,783,018.87	1,783,018.87

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (2) Sales and rendering of services (Continued)

##### The Group (Continued)

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong Baomao Expressway Company Limited <sup>#</sup>	Road rescue service income	1,730,660.38	1,730,660.38
Guangdong Zhaoyang Expressway Company Limited <sup>#</sup>	Road rescue service income	1,680,495.28	1,680,495.28
Zhaoqing City Guang-He Expressway Company Limited <sup>#</sup>	Road rescue service income	1,641,509.43	1,641,509.43
Guangdong Ping-Xing Expressway Company Limited <sup>#</sup>	Road rescue service income	1,394,490.57	1,394,490.57
Guangdong Yuedong Expressway Enterprise Company Limited <sup>#</sup>	Road rescue service income	1,223,306.60	1,223,306.60
Guangdong Taishan Coastal Expressway Company Limited <sup>#</sup>	Road rescue service income	1,220,929.25	1,220,929.25
Guangdong Luo-Yang Expressway Company Limited <sup>#</sup>	Road rescue service income	1,178,462.26	1,178,462.26
Guangdong He-Hui Expressway Company Limited <sup>#</sup>	Road rescue service income	1,139,150.94	1,139,150.94
Guangdong Yang-Mao Expressway Company Limited <sup>#</sup>	Road rescue service income	1,128,679.25	1,128,679.25
Others <sup>#</sup>	Road rescue service income	5,388,712.25	3,592,573.73
<b>Total</b>		<b>58,304,849.05</b>	<b>55,222,659.23</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (2) Sales and rendering of services (Continued)

###### The Group (Continued)

Related Parties	Caption	2018 RMB	2017 RMB
Others <sup>β</sup>	Repairing income	706,286.81	398,441.96

Related Parties	Caption	2018 RMB	2017 RMB
Roadnet Innovalues Media	Rendering of other services income	777,685.64	—
Others <sup>β</sup>	Rendering of other services income	930,118.33	2,337,115.21
<b>Total</b>		<b>1,707,803.97</b>	<b>2,337,115.21</b>

###### The Company

Related Parties	Caption	2018 RMB	2017 RMB
Guangdong South China Logistics Enterprise Company Limited	Sales of materials	31,633,654.98	283,429,760.79
Guangzhou Xin Yue Asphalt Company Limited	Sales of materials	—	12,065,566.24
Guangdong Provincial Changda Highway Engineering Company Limited	Sales of materials	2,019,928.44	55,212,595.37
<b>Total</b>		<b>33,653,583.42</b>	<b>350,707,922.40</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (3) Entrusted management and outsourcing

##### (a) Entrusted management:

##### The Group

Consignor	Contractor	Entrusted object	Start date	End date	Pricing basis	Entrusted income in 2018 RMB	Entrusted income in 2017 RMB
Yueyun Investment Management#	Guangdong Yueyun Transportation Company Limited	Equity and operation management	01/01/2015	31/12/2018	Negotiated price	4,174,979.30	7,228,301.88
Yueyun Investment Management#	Guangdong Yueyun Transportation Company Limited	Equity and operation management	01/09/2018	31/12/2020	Negotiated price	788,317.39	—
GCGC#	Guangdong Yueyun Transportation Company Limited	Equity and operation management	01/09/2018	31/12/2020	Negotiated price	125,096.92	—
Yueyun Investment Management#	Guangdong Yunxing Property Management Co., Ltd.	Property management services	29/05/2014	29/09/2017	Negotiated price	—	6,023,058.07
						5,088,393.61	13,251,359.95

##### The Company

Consignor	Contractor	Entrusted object	Start date	End date	Pricing basis	Entrusted income in 2018 RMB	Entrusted income in 2017 RMB
Yueyun Investment Management	Guangdong Yueyun Transportation Company Limited	Equity and operation management	01/01/2015	31/12/2018	Negotiated price	4,174,979.30	7,228,301.88
Yueyun Investment Management	Guangdong Yueyun Transportation Company Limited	Equity and operation management	01/09/2018	31/12/2020	Negotiated price	788,317.39	—
GCGC	Guangdong Yueyun Transportation Company Limited	Equity and operation management	01/09/2018	31/12/2020	Negotiated price	125,096.92	—
						5,088,393.61	7,228,301.88

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (3) Entrusted management and outsourcing (Continued)

##### (b) Outsourcing expenses:

##### The Group

Consignor	Contractor	Outsourcing object	Start date	End date	Pricing basis	Outsourcing expenses In	Outsourcing expenses In
						2018 RMB	2017 RMB
Guangdong Guangzhou Expressway West Section Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	25/01/2013	23/01/2038	Negotiated price	9,498,857.65	9,488,078.41
Guangdong Guangzhou Expressway West Section Company Limited <sup>†</sup>	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	01/12/2013	30/11/2023	Negotiated price	3,831,904.76	4,253,200.00
Guang-Shen-Zhu Expressway Company Limited <sup>#</sup>	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	01/12/2010	31/12/2019	Negotiated price	13,451,310.32	16,485,590.02
Guang-Shen-Zhu Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/12/2017	30/06/2027	Negotiated price	5,463,013.32	—
Guangdong Provincial Highway Construction Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/01/2011	31/12/2035	Negotiated price	9,518,373.58	9,419,597.56
Guangdong Guangle Expressway Company Limited <sup>#</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	27/09/2014	26/09/2039	Negotiated price	8,836,249.48	8,836,250.48
Guangdong Province Road & Bridge Construction Development Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/01/2007	12/01/2034	Negotiated price	7,634,800.04	7,815,923.34
Guangdong Yue-Gan Expressway Company Limited <sup>#</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/10/2005	Termination date of the highway toll	Negotiated price	7,885,714.27	7,491,428.56
Guangdong Provincial Freeway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	03/04/2003	28/10/2026	Negotiated price	6,748,199.32	11,296,908.91
Guangdong Provincial Freeway Company Limited <sup>#</sup>	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	27/01/2010	Termination date of the highway toll	Negotiated price	1,168,831.17	1,097,512.59

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (3) Entrusted management and outsourcing (Continued)

##### (b) Outsourcing expenses (Continued):

##### The Group (Continued)

Consignor	Contractor	Outsourcing object	Start date	End date	Pricing basis	Outsourcing expenses In	Outsourcing expenses In
						2018 RMB	2017 RMB
Guangdong Guangfeng Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/01/2017	31/12/2041	Negotiated price	7,068,786.58	7,068,786.58
Guangdong Kai Yang Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	03/09/2003	23/07/2027	Negotiated price	6,687,031.87	6,477,927.47
Guangdong Chao-Hui Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	30/12/2015	31/12/2041	Negotiated price	5,161,031.72	5,161,031.73
Guangdong Yun-Wu Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/10/2010	25/09/2035	Negotiated price	4,190,476.45	4,190,476.20
Guangdong Meihe Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	21/12/2005	02/10/2033	Negotiated price	3,639,428.57	3,465,314.27
Guangdong Yangmao Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/12/2004	Termination date of the highway toll	Negotiated price	3,328,476.19	3,328,476.19
Guangdong Bo-Da Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	28/12/2014	27/12/2039	Negotiated price	3,714,709.75	3,601,402.52
Guangdong Shanfen Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/01/2009	23/11/2025	Negotiated price	2,099,290.37	3,019,496.98
Guangdong Jiangzhong Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	08/11/2005	07/11/2027	Negotiated price	2,373,447.67	2,373,447.67
Guangdong Maozhan Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	27/11/2009	26/11/2029	Negotiated price	2,470,476.21	2,470,476.19
Guangdong Expressway Company Limited <sup>a</sup>	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	Completion date of the project	Termination date of the highway toll	Negotiated price	2,484,253.18	2,408,429.17
Guangdong Provincial Fokai Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	Completion date of the project	Termination date of the highway toll	Negotiated price	2,485,624.44	4,248,385.63
Guangdong Ping-Xing Expressway Company Limited <sup>a</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	31/12/2015	30/12/2040	Negotiated price	1,583,653.83	2,474,273.10

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (3) Entrusted management and outsourcing (Continued)

##### (b) Outsourcing expenses (Continued):

##### The Group (Continued)

Consignor	Contractor	Outsourcing object	Start date	End date	Pricing basis	Outsourcing expenses In	Outsourcing expenses In
						2018 RMB	2017 RMB
Guangdong Yu-Zhan Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	30/04/2007	30/04/2032	Negotiated price	2,340,267.41	2,340,262.86
Guangdong Er-Guang Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	31/12/2014	31/12/2038	Negotiated price	2,740,852.26	2,347,589.65
Guangdong Baomao Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	30/12/2015	29/12/2040	Negotiated price	2,095,627.26	2,095,627.27
Guangdong Zhaoayang Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	01/01/2011	31/12/2033	Negotiated price	2,102,200.45	1,918,867.12
Jingzhu Expressway Guangzhou Section Company Limited <sup>†</sup>	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	03/04/2003	18/10/2026	Negotiated price	1,519,142.86	1,799,600.00
Guangdong Luo-Yang Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	31/10/2016	30/10/2041	Negotiated price	1,792,585.10	1,707,223.95
Yunfu City Guangyun Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	Opening date of highway	Termination date of the highway toll	Negotiated price	1,049,377.20	1,049,377.14
Heyuan He-Long Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	21/12/2005	14/06/2033	Negotiated price	1,345,277.08	1,345,277.14
Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	28/12/2015	19/08/2032	Negotiated price	1,081,142.86	1,081,142.86
Zhaoqing Yuezhao Expressway Company Limited <sup>†</sup>	Guangdong Tongyi Landscape Co., Ltd.	Expressway services	05/01/2004	Termination date of the highway toll	Negotiated price	1,142,857.14	1,142,857.14
Others <sup>†</sup>		Expressway services/ advertisement resources operation			Negotiated price	9,524,071.42	9,221,325.86
						148,057,341.78	152,521,564.56



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (4) Lease

##### (a) As the lessor

##### The Group

Lessee	Type of assets leased	Lease income recognised in	Lease income recognised in
		2018 RMB	2017 RMB
Express Cross-Border Coach Management Company Limited	Traffic line/Buildings and structures	1,349,835.41	1,300,237.59
Guangdong South China Logistics Enterprise Company Limited	Buildings and structures	2,334,169.43	—
Others	Buildings and structures	538,289.64	353,679.62
<b>Total</b>		<b>4,222,294.48</b>	<b>1,653,917.21</b>

##### (b) As the lessee

##### The Group

Lessor	Type of assets leased	Lease income recognised in	Lease income recognised in
		2018 RMB	2017 RMB
Guangdong Litong Properties Investment Company Limited <sup>#</sup>	Buildings and structures	6,522,217.74	—
Yueyun Investment Management <sup>§</sup>	Buildings and structures	55,500.00	6,221,711.64
Others <sup>§</sup>	Buildings and structures	999,155.43	615,613.32
<b>Total</b>		<b>7,576,873.17</b>	<b>6,837,324.96</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (4) Lease (Continued)

##### (b) As the lessee (Continued)

##### The Company

Lessor	Type of assets leased	Lease income recognised in	Lease income recognised in
		2018 RMB	2017 RMB
Guangdong Litong Properties Investment Company Limited	Buildings and structures	5,909,436.00	—
Guang-Shen-Zhu Expressway Company Limited	Buildings and structures	837,771.92	615,613.32
<b>Total</b>		<b>6,747,207.92</b>	<b>615,613.32</b>

##### (5) Guarantees

The Group as the guarantee holder

Name of guarantor	Amount of guarantee RMB	Inception date of guarantee	Maturity date of guarantee	Guarantee expired (Y/N)
GCGC	400,000,000.00	September 2015	September 2022	No
GCGC	380,000,000.00	December 2015	December 2020	No
	780,000,000.00			

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 5 Significant transactions between the Group and its related parties for the year (Continued)

#### (6) Lending and Borrowing to related parties

##### The Group

Related parties	Annual interest rate	Opening Balance at 1 January 2018 RMB (Restated)	Additions during the year RMB	Repayments during the year RMB	Decrease due to change of consolidation scope RMB	Ending balance at 31 December 2018 RMB	Period
GCG Finance	4.37%	28,000,000.00	—	(2,000,000.00)	—	26,000,000.00	19/12/2016- 18/12/2019
GCG Finance	4.465%	16,800,000.00	—	(200,000.00)	—	16,600,000.00	20/12/2016- 19/12/2019
GCG Finance	4.37%	19,800,000.00	—	(200,000.00)	—	19,600,000.00	28/12/2016- 27/12/2019
GCG Finance	4.37%	19,000,000.00	—	(2,000,000.00)	—	17,000,000.00	18/01/2017- 17/01/2020
GCG Finance	4.37%	4,800,000.00	—	(200,000.00)	—	4,600,000.00	06/03/2017- 05/03/2020
GCG Finance	4.37%	30,000,000.00	—	—	—	30,000,000.00	22/03/2017- 21/03/2019
GCG Finance	4.37%	36,000,000.00	—	—	—	36,000,000.00	22/03/2017- 21/03/2020
GCG Finance	4.37%	10,000,000.00	—	—	—	10,000,000.00	27/04/2017- 26/04/2020
GCG Finance	4.37%	6,000,000.00	—	—	—	6,000,000.00	21/06/2017- 20/06/2020
GCG Finance	4.37%	14,000,000.00	—	—	—	14,000,000.00	21/06/2017- 20/06/2020
GCG Finance	4.37%	19,000,000.00	—	(2,000,000.00)	—	17,000,000.00	04/07/2017- 03/07/2020
GCG Finance	4.275%	29,900,000.00	—	(100,000.00)	—	29,800,000.00	12/07/2017- 11/07/2020
GCG Finance	4.37%	19,400,000.00	—	(200,000.00)	—	19,200,000.00	17/07/2017- 16/07/2020
GCG Finance	4.1325%	48,000,000.00	—	—	(48,000,000.00)	—	25/07/2017- 24/07/2018
GCG Finance	4.37%	19,900,000.00	—	(200,000.00)	—	19,700,000.00	03/08/2017- 02/08/2020
GCG Finance	4.37%	10,500,000.00	—	—	—	10,500,000.00	11/09/2017- 10/09/2020
GCG Finance	4.37%	4,000,000.00	—	(2,000,000.00)	—	2,000,000.00	13/09/2017- 12/09/2020
GCG Finance	4.275%	47,000,000.00	—	(47,000,000.00)	—	—	22/09/2017- 21/09/2020
GCG Finance	4%	15,000,000.00	—	(15,000,000.00)	—	—	22/09/2017- 21/09/2018
GCG Finance	4.275%	20,000,000.00	—	—	—	20,000,000.00	31/10/2017- 30/09/2020
GCG Finance	4.37%	5,000,000.00	—	—	—	5,000,000.00	31/10/2017- 30/10/2020
GCG Finance	4.275%	30,000,000.00	—	(300,000.00)	—	29,700,000.00	11/12/2017- 10/12/2020
GCG Finance	4.4175%	—	48,000,000.00	(500,000.00)	—	47,500,000.00	29/06/2018- 28/06/2021

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (6) Lending and Borrowing to related parties (Continued)

###### The Group (Continued)

Related parties	Annual interest rate	Opening Balance at 1 January 2018 RMB (Restated)	Additions during the year RMB	Repayments during the year RMB	Decrease due to change of consolidation scope RMB	Ending balance at 31 December 2018 RMB	Period
GCG Finance	4.6075%	—	30,000,000.00	(1,000,000.00)	—	29,000,000.00	21/09/2018- 20/09/2021
GCG Finance	4.263%	—	20,000,000.00	—	—	20,000,000.00	26/10/2018-25/10/2019
GCG Finance	4.6075%	—	45,000,000.00	—	—	45,000,000.00	23/11/2018-22/11/2023
GCG Finance	4.6075%	—	15,000,000.00	—	—	15,000,000.00	26/11/2018-17/01/2020
GCG Finance	4.6075%	—	30,000,000.00	—	—	30,000,000.00	11/12/2018-10/12/2023
GCG Finance	4.263%	—	20,000,000.00	—	—	20,000,000.00	27/12/2018-26/12/2019
GCG Finance	4.37%	9,700,000.00	—	(200,000.00)	—	9,500,000.00	28/06/2016- 27/06/2019
GCG Finance	4.275%	9,700,000.00	—	(5,200,000.00)	—	4,500,000.00	18/07/2016- 17/07/2019
GCG Finance	4.37%	2,000,000.00	—	—	—	2,000,000.00	29/08/2016- 28/08/2019
GCG Finance	4.275%	2,500,000.00	—	—	—	2,500,000.00	28/12/2016- 27/12/2019
GCG Finance	4.275%	5,000,000.00	—	—	—	5,000,000.00	22/02/2017- 21/02/2020
GCG Finance	4.275%	4,500,000.00	—	(1,000,000.00)	—	3,500,000.00	25/07/2017- 24/07/2020
GCG Finance	4.275%	10,000,000.00	—	—	—	10,000,000.00	25/07/2017- 24/07/2020
GCG Finance	4.275%	3,000,000.00	—	—	—	3,000,000.00	17/10/2017- 16/10/2020
GCG Finance	4.275%	5,000,000.00	—	—	—	5,000,000.00	17/10/2017- 16/10/2020
GCG Finance	4.275%	3,000,000.00	—	—	—	3,000,000.00	06/12/2017- 05/12/2020
GCG Finance	4.275%	5,000,000.00	—	—	—	5,000,000.00	06/12/2017- 05/12/2020
GCG Finance	4.41%	—	15,000,000.00	—	—	15,000,000.00	25/01/2018- 24/01/2028
GCG Finance	4.41%	—	5,000,000.00	—	—	5,000,000.00	28/05/2018-27/05/2028
GCG Finance	4.557%	—	15,000,000.00	—	—	15,000,000.00	09/08/2018-08/08/2028
Total		511,500,000.00	243,000,000.00	(79,300,000.00)	(48,000,000.00)	627,200,000.00	

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (6) Lending and Borrowing to related parties (Continued)

###### The Company

Related parties	Annual interest rate	Opening Balance		Repayments during the year	Ending balance at	
		at 1 January	Additions during		31 December	Period
		2018 RMB	the year RMB	during the year RMB	2018 RMB	
GVTG	4.35%	324,000,000.00	—	(324,000,000.00)	—	12/11/2016 -22/11/2018
GVTG	4.35%	135,000,000.00	—	(135,000,000.00)	—	10/05/2017 -09/05/2018
Yueyun Transportation Technology Services (Guangzhou) Co., Ltd.	4.60%	18,000,000.00	—	(18,000,000.00)	—	12/03/2017- 22/03/2018
Guangdong Province Transportation Engineering Company Limited	4.35%	7,500,000.00	7,500,000.00	(7,500,000.00)	7,500,000.00	17/09/2018 -17/09/2019
<b>Total</b>		<b>484,500,000.00</b>	<b>7,500,000.00</b>	<b>(484,500,000.00)</b>	<b>7,500,000.00</b>	

For details of interest income arising from the above lending, please refer to Note VI. 5(7).

##### (7) Interest income and interest expenses

###### The Group

Interest income	2018 RMB	2017 RMB (Restated)
GCG Finance#	<b>7,988,060.97</b>	3,239,080.50
Interest expenses	2018 RMB	2017 RMB (Restated)
GCG Finance#	<b>23,356,228.87</b>	9,440,362.11

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (7) Interest income and interest expenses (Continued)

###### The Company

Interest income	2018	2017
	RMB	RMB
GVTG	3,127,417.45	21,133,490.00
GCG Finance	4,845,660.23	—
Others	840,874.61	1,172,570.76
<b>Total</b>	<b>8,813,952.29</b>	<b>22,306,060.76</b>

Interest expenses	2018	2017
	RMB	RMB
Others	1,836,186.58	2,044,864.46

##### (8) Compensation for key management personnel

###### The Group and the Company

Caption	2018	2017
	RMB	RMB
Compensation for key management personnel	9,852,578.56	10,949,455.30

##### (9) Freight transportation service outsourcing

###### The Group

Transactions with Weisheng Transportation Enterprises Company Limited	2018	2017
	RMB	RMB
Freight transportation outsourcing income#	5,739,368.66	5,364,648.08
Disbursements#	7,941,148.05	10,800,827.62
<b>Total</b>	<b>13,680,516.71</b>	<b>16,165,475.70</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5 Significant transactions between the Group and its related parties for the year (Continued)

##### (10) Passenger transportation service outsourcing

###### The Group

Transactions with Weisheng Transportation Enterprises Company Limited	2018	2017
	RMB	RMB
Passenger transportation outsourcing fee#	2,568,180.00	2,595,630.00
Disbursements#	4,900,060.63	11,152,969.72
<b>Total</b>	<b>7,468,240.63</b>	<b>13,748,599.72</b>

##### (11) Trademark

During the current year and last year, GVTG granted some associates with the trademark use right of “Yueyun” at nil consideration.

##### (12) Road and bridge tolls

The Group's subsidiaries which are engaged in transportation services paid road and bridge tolls to those road and bridge companies held by GCGC when providing transportation services. Since 2018, the Group's subsidiaries which are engaged in transportation services paid certain road and bridge tolls to those road and bridge companies held by GCGC through Union Electronic.

##### (13) Asset Swap

The Group entered into the Asset Swap Agreement with Yueyun Investment Management, a subsidiary of GCGC, on 21 December 2017. According to the Asset Swap Agreement, the Group agreed to sell and Yueyun Investment Management agreed to acquire 100% equity of the Group's subsidiary, South China Logistics Enterprise, which shall be satisfied by Yueyun Investment Management by way of transferring to the Group 100% equity of Meizhou Yueyun Group and payment of RMB28,380,000.00 in cash representing the difference. On 30 March 2018, the Group obtained the substantial control over Meizhou Yueyun Group.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties

#### (1) Amounts due from related parties

##### (a) Deposit in GCG Finance#

##### *The Group*

	As at 31 December 2018 RMB	As at 31 December 2017 RMB (Restated)
Cash at bank and on hand	436,797,642.83	525,884,555.58

##### *The Company*

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
Cash at bank and on hand	281,163,923.20	288,488,667.20

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



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (1) Amounts due from related parties (Continued)

##### (b) Accounts receivable

##### The Group

	As at 31 December 2018		As at 31 December 2017	
Related Parties	Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	RMB	RMB	RMB	RMB
			(Restated)	(Restated)
Guangdong Humen Bridge Company Limited	7,799,839.45	(389,991.97)	7,281,680.61	(364,084.03)
Zhaoqing City Guang-He Expressway Company Limited	3,117,270.15	(1,484,767.10)	3,117,270.15	(1,484,767.10)
Guangdong Provincial Freeway Company Limited	2,777,118.35	(1,222,841.74)	3,845,764.37	(1,238,293.22)
Guangdong Provincial Changda Highway Engineering Company Limited	2,453,772.96	(122,688.65)	10,923,237.07	(5,389,302.59)
Guangdong Province Road & Bridge Construction Development Company Limited	2,162,377.43	(108,118.87)	677,100.00	(34,125.00)
Guangdong Meihe Expressway Company Limited	1,600,095.97	(800,047.99)	1,654,554.09	(812,669.99)
Express Cross-Border Coach Management Company Limited	1,299,229.85	(180,976.82)	995,330.29	(49,767.11)
Yueyun Investment Management	828,767.10	(41,438.36)	2,554,000.00	(127,700.00)

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 6 Amounts due from/to related parties (Continued)

##### (1) Amounts due from related parties (Continued)

##### (b) Accounts receivable (Continued)

##### The Group (Continued)

	As at 31 December 2018		As at 31 December 2017	
Related Parties	Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	RMB	RMB	RMB	RMB
			(Restated)	(Restated)
Guangdong Guangle Expressway Company Limited	514,833.30	(25,741.67)	7,086,169.57	(3,286,853.40)
Guangdong Chao-Hui Expressway Company Limited	349,040.31	(17,452.02)	6,209,390.44	(310,469.52)
Guangdong Provincial Highway Construction Company Limited	324,454.14	(16,222.71)	53,101,332.86	(2,844,379.03)
Guangdong Baomao Expressway Company Limited	276,839.64	(13,841.98)	3,245,039.82	(310,662.00)
Guangdong Ping-Xing Expressway Company Limited	140,392.49	(7,019.62)	4,769,903.46	(453,284.01)
Guangdong Xinyue Communications Investment Company Limited	—	—	49,727,476.62	(24,863,738.31)
Guangdong Yun-Wu Expressway Company Limited	—	—	25,767,878.40	(12,220,796.29)
Others	8,189,369.53	(761,938.44)	5,944,632.75	(777,530.55)
<b>Total</b>	<b>31,833,400.67</b>	<b>(5,193,087.94)</b>	<b>186,900,760.50</b>	<b>(54,568,422.15)</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (1) Amounts due from related parties (Continued)

##### (b) Accounts receivable (Continued)

##### The Company

	As at 31 December 2018		As at 31 December 2017	
Related Parties	Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	RMB	RMB	RMB	RMB
				(Restated)
Guangdong Humen Bridge Company Limited	6,216,492.14	(310,824.61)	6,342,398.22	(317,119.91)
Guangdong South China Logistics Enterprise Company Limited	—	—	169,253,124.51	—
Zhaoqing City Guang-He Expressway Company Limited	2,953,119.10	(1,476,559.55)	2,953,119.10	(1,476,559.55)
Guangdong Provincial Freeway Company Limited	2,479,716.50	(1,207,971.65)	2,479,716.50	(918,485.83)
Guangdong Provincial Changda Highway Engineering	1,904,363.52	(95,218.18)	10,122,757.82	(5,061,378.91)
Guangdong Meihe Expressway Company Limited	1,600,095.97	(800,047.99)	1,600,095.97	(800,047.99)
Yueyun Transportation (HK) Company Limited	1,471,080.88	—	1,471,080.88	—
Yueyun Investment Management	828,767.10	(41,438.36)	2,554,000.00	(127,700.00)
Guangdong Yun-Wu Expressway Company Limited	—	—	24,294,227.49	(12,147,113.75)
Guangdong Guangle Expressway Company Limited	—	—	2,004,831.58	(601,449.47)
Others	832,818.64	(398,176.43)	763,878.22	(381,939.11)
<b>Total</b>	<b>18,286,453.85</b>	<b>(4,330,236.77)</b>	<b>223,839,230.29</b>	<b>(21,831,794.52)</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 6 Amounts due from/to related parties (Continued)

##### (1) Amounts due from related parties (Continued)

##### (c) Prepayments

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB (Restated)
<b>Related Parties</b>		
Union Electronic	5,409,686.27	—
Guangdong Guangfozhao Expressway Company Limited	3,773,580.18	3,773,579.98
Guangdong Ninghua Expressway Company Limited	2,287,171.37	821,422.84
Shaoguan Libao Technology Co., Ltd.	1,505,070.20	34,426.26
Guangdong Guangzhu Expressway West Section Company Limited	1,456,034.69	1,588,516.22
Guangdong Luo-Yang Expressway Company Limited	1,408,459.81	1,401,538.58
Guangdong Province Road & Bridge Construction Development Company Limited	1,315,799.59	1,735,165.25
Others	2,674,773.82	2,756,831.84
<b>Total</b>	<b>19,830,575.93</b>	<b>12,111,480.97</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (1) Amounts due from related parties (Continued)

##### (d) Other receivables

##### The Group

	As at 31 December 2018		As at 31 December 2017	
Related Parties	Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	RMB	RMB	RMB	RMB (Restated)
Guangdong Chaoshan Circle Line Expressway Company Limited	8,003,895.41	—	8,003,895.41	—
Weisheng Transportation Enterprises Company Limited	5,059,993.43	(252,999.67)	12,071,660.37	(1,833,371.47)
Guang-Shen-Zhu Expressway Company Limited	3,371,400.00	—	1,102,534.50	—
Union Electronic	3,412,320.65	(19,363.41)	—	—
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	1,759,782.53	(102,391.27)	1,659,782.53	—
Guangdong Wangshangfei Logistics Technology Co., Ltd.	1,733,755.53	(13,128.03)	1,036,811.72	(8,790.84)
Guangdong Guangzhu Expressway West Section Company Limited	1,583,300.00	—	1,508,300.00	—
Guangdong Province Road & Bridge Construction Development Company Limited	1,327,390.99	—	1,166,250.00	—

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (1) Amounts due from related parties (Continued)

##### (d) Other receivables (Continued)

##### The Group (Continued)

	As at 31 December 2018		As at 31 December 2017	
Related Parties	Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	RMB	RMB	RMB	RMB
				(Restated)
Guangdong Maozhan Expressway Company Limited	1,000,000.00	—	1,000,000.00	—
Guangdong Provincial Changda Highway Engineering Company Limited	567,990.75	(835.05)	4,706,471.74	—
Guangdong Litong Properties Investment Company Limited	561,706.00	—	1,836,326.00	(2,114.03)
Guangdong Xinyue Communications Investment Company Limited	—	—	13,802,954.85	(6,745,685.18)
Kee Kwan Motor Road Company Limited	—	—	11,650,167.33	(5,824,525.38)
Guangdong Hui-qing Expressway Company Limited	—	—	7,316,340.57	—
Shaoguan City Xian Tour Transportation Company Limited	2,450,568.69	(122,528.43)	—	—
Others	14,598,293.66	(7,078,892.21)	26,905,983.74	(5,592,371.72)
<b>Total</b>	<b>45,430,397.64</b>	<b>(7,590,138.07)</b>	<b>93,767,478.76</b>	<b>(20,006,858.62)</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (1) Amounts due from related parties (Continued)

##### (d) Other receivables (Continued)

##### The Company

	As at 31 December 2018		As at 31 December 2017	
Related Parties	Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	RMB	RMB	RMB	RMB
			(Restated)	(Restated)
GVTG	9,052,212.11	—	483,718,648.62	—
Guangdong Province Transportation Engineering Company Limited	48,546,077.50	—	48,300,000.00	—
Yueyun Transportation Technology Services (Guangzhou) Co., Ltd.	2,799,833.65	—	21,567,123.30	—
Guangdong South China Logistics Enterprise Company Limited	—	—	3,778,458.77	—
Yueyun Transportation (HK) Company Limited	2,568,887.01	—	2,853,947.81	—
Guangdong Chaoshan Circle Line Expressway Company Limited	8,003,895.41	—	8,003,895.41	—
Guangdong Xinyue Communications Investment Company Limited	—	—	11,715,797.35	(5,857,898.68)
Guangdong Provincial Changda Highway Engineering Company Limited	—	—	4,146,197.70	—
Others	104,448.64	(47,871.72)	1,477,999.44	(47,871.72)
<b>Total</b>	<b>71,075,354.32</b>	<b>(47,871.72)</b>	<b>585,562,068.40</b>	<b>(5,905,770.40)</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 6 Amounts due from/to related parties (Continued)

##### (1) Amounts due from related parties (Continued)

##### (e) Other non-current assets

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Guangdong Guangfozhao Expressway Company Limited	<b>83,018,867.92</b>	81,428,548.77
Guangdong Guangzhu Expressway West Section Company Limited	<b>76,945,752.18</b>	86,792,452.83
Guangzhou Tianhe Coach Terminal Co., Ltd.	<b>9,600,000.00</b>	9,600,000.00
<b>Total</b>	<b>169,564,620.10</b>	177,821,001.60



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties

#### (2) Amounts due to related parties

##### (a) Accounts payable

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Guangdong Provincial Freeway Company Limited	14,737,890.90	16,124,758.37
Guangdong South China Logistics Enterprise Company Limited	8,989,739.53	—
Guang-Shen-Zhu Expressway Company Limited	6,883,705.78	7,204,202.98
Guangdong Yue Dong Freeway Industry Development Company Limited	4,338,721.78	4,324,955.65
Guangdong Shanfen Expressway Company Limited	4,229,922.74	4,748,864.65
Guangdong Provincial Fokai Expressway Company Limited	1,842,418.35	1,651,685.10
Guangdong Provincial Changda Highway Engineering Company Limited (Note)	1,575,657.72	12,563,156.74
Guangdong Yuehuahui	1,305,297.62	—
Union Electronic	1,239,258.26	—
Guangdong Kai Yang Expressway Company Limited	1,128,815.12	1,084,765.91
Guangfo Expressway Company Limited	1,099,380.17	1,316,266.81
Guangdong Humen Bridge Company Limited	1,087,162.68	613,679.53
Guangdong Xinyue Communications Investment Company Limited	283,205.37	8,842,102.71
Zhaoqing Yuezhao Expressway Company Limited	151,712.32	1,219,099.89
Guangzhou Xin Yue Asphalt Company Limited	—	10,287,715.26
Dongguan Weisheng International Logistics Company Limited	—	4,569,468.49
Jingzhu Expressway Guangzhu Section Company Limited	—	1,799,600.00
Others	9,364,802.66	9,542,743.61
<b>Total</b>	<b>58,257,691.00</b>	<b>85,893,065.70</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (2) Amounts due to related parties (Continued)

##### (a) Accounts payable (Continued)

##### The Company

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Guangdong South China Logistics Enterprise Company Limited	<b>8,989,739.53</b>	11,103,852.83
Guangdong Provincial Changda Highway Engineering Company Limited (Note)	<b>1,427,597.24</b>	12,144,474.54
Yueyun Transportation (HK) Company Limited	—	51,806,642.67
Guangdong Xinyue Communications Investment Company Limited	—	8,644,102.71
Others	<b>1,256,877.41</b>	2,717,592.70
<b>Total</b>	<b>11,674,214.18</b>	<b>86,416,665.45</b>

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 fee to the corresponding year, and adjusted the balance payable to Guangdong Changda in corresponding period.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (2) Amounts due to related parties (Continued)

##### (b) Advances from customers

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited	—	2,153,282.88
Others	560,655.93	3,527,659.00
<b>Total</b>	<b>560,655.93</b>	<b>5,680,941.88</b>

##### (c) Contract liabilities

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited	2,153,282.88	—
Others	2,611,678.41	—
<b>Total</b>	<b>4,764,961.29</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 6 Amounts due from/to related parties (Continued)

#### (2) Amounts due to related parties (Continued)

##### (d) Other payables

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
GCGC	2,944,346.83	3,625,185.52
Zhong Yue Tong	1,028,000.00	—
Guangdong Xinyue Communications Investment Company Limited	267,117.33	1,704,173.56
Yueyun Investment Management	7,690.48	44,489,454.48
Others	6,846,932.42	5,294,680.94
<b>Total</b>	<b>11,094,087.06</b>	<b>55,113,494.50</b>

##### The Company

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	7,137,517.00	555,583.33
Shaoguan Yueyun Vehicles Transportation Co., Ltd.	1,972,510.09	124,483.33
Meizhou Yueyun Vehicles Transportation Company Limited	3,927,573.00	4,278,152.99
Heyuan City Yueyun Motor Transportation Co., Ltd.	3,618,193.00	—
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	2,143,464.00	—
Guangzhou Yueyun Transportation Co., Ltd.	1,083,574.50	—
GCGC	984,346.83	—
Guangdong Yueyun Langri Co., Ltd.	747,986.00	—
Weisheng Transportation Enterprises Company Limited	710,917.15	—
Others	1,794,840.01	330,200.00
<b>Total</b>	<b>24,120,921.58</b>	<b>5,288,419.65</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 6 Amounts due from/to related parties (Continued)

##### (2) Amounts due to related parties (Continued)

##### (e) Other payables – cash pool

##### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
<b>Related Parties</b>		
Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.	<b>3,174,030.83</b>	3,464,260.33
Guangdong Province Bus Terminal Co., Ltd.	<b>1,052,964.33</b>	1,051,723.49
Others	<b>1,990.50</b>	1,990.50
<b>Total</b>	<b>4,228,985.66</b>	4,517,974.32

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 6 Amounts due from/to related parties (Continued)

##### (2) Amounts due to related parties (Continued)

##### (e) Other payables – cash pool (Continued)

##### The Company

Related Parties	As at	As at
	31 December	31 December
	2018	2017
	RMB	RMB
GVTG	103,796,172.08	119,108,743.46
Zhaoqing City Yueyun Motor Transportation Co., Ltd	54,659,889.17	1,978,240.10
Deqing County Yueyun Bus Terminal Co., Ltd.	—	2,037,939.43
Guangdong Yueyun Development Co., Ltd.	2,303,329.48	5,230,272.31
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	90,302,909.64	142,398,337.38
Shaoguan Yueyun Vehicles Transportation Co., Ltd.	23,085,834.15	55,577,992.19
Guangdong South China Logistics Enterprise Company Limited	—	165,545,744.14
Guangdong Tongyi Landscape Co., Ltd.	97,137,601.05	152,810,585.32
Qingyuan City Yueyun Public Transportation Co., Ltd.	6,772,584.84	—
Guangdong Jindaoda Expressway Economic Development Company Limited	50,912,719.77	40,737,147.20
Guangdong Highway Media Company Limited	51,551,092.63	38,230,800.70
Guandong Top-E Planting Company Limited	12,871,700.58	10,045,108.78
Guangdong Province Transportation Engineering Company Limited	5,980,763.12	3,415,809.97
Yueyun Transportation Technology Services (Guangzhou) Co., Ltd.	98,370.51	1,041,150.96
GCGC	1,960,000.00	928,125.18
Maoming City Dianbai District Yueyun Vehicles Transportation Co., Ltd.	6,091,493.36	—
Shaoguan City Litong Vehicles Driving Coaching Company Limited	2,644,024.31	—
Ruyuan Autonomous County Shunda Urban and Rural Public Passenger Transportation Company Limited	1,582,974.71	—
Others	2,028,050.50	275,488.47
<b>Total</b>	<b>513,779,509.90</b>	<b>739,361,485.59</b>

Pursuant to the relevant agreements, the Group centrally collects and manages the funds from 4 relevant bank accounts (the “Cash Pool Accounts”) of certain related party companies. The funds received are recorded as “other payables” and bear the same interest rate as demand deposit. Please refer to Note VI. 4 (p) “Other payables-Cash pool” regarding related parties’ cash pool accounts information and Note VI. 5(7) regarding relevant interest expense.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 6 Amounts due from/to related parties (Continued)

##### (2) Amounts due to related parties (Continued)

###### (f) Interest payable

###### The Group

	As at 31 December 2018 RMB	As at 31 December 2017 RMB
Related Parties		
GCG Finance	538,471.69	412,060.52

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### 7 Compensation for key management personnel

The total compensation for the key management personnel this year is RMB9,852,578.56 (2017: RMB10,949,455.30).

Compensation for the directors and supervisors are as below:

2018

Title and name	Note	Board expenses RMB	Basic Salaries and other allowances RMB	Retirement plan contributions RMB	Total RMB
Executive Director, Chairman of the Board					
Xuan Zongmin	(2)	—	779,726.06	53,053.92	832,779.98
Executive Director, General Manager					
Tang Yinghai	(3)	—	776,471.07	50,422.20	826,893.27
Executive director, Deputy general manager					
Yao Hanxiong	(4)	—	611,993.03	46,843.56	658,836.59
Executive Director, Financial Director					
Wen Wu	(5)	—	628,183.05	39,059.76	667,242.81
Executive Director					
Guo Junfa	(1)	—	656,223.86	—	656,223.86
Independent non-executive Director					
Gui Shouping	(13)	37,500.00	—	—	37,500.00
Independent non-executive Director					
Lu Zhenghua		60,000.00	—	—	60,000.00



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### 7 Compensation for key management personnel (Continued)

2018 (Continued)

Title and name	Note	Board expenses RMB	Basic Salaries and other allowances RMB	Retirement plan contributions RMB	Total RMB
Independent non-executive Director Jin Wenzhou		60,000.00	—	—	60,000.00
Independent non-executive Director Wen Huiying	(11)	22,500.00	—	—	22,500.00
Independent non – executive Director Zhan Xiaotong	(12)	22,500.00	—	—	22,500.00
Supervisor Li Xiangrong	(8)	—	357,893.67	27,700.56	385,594.23
Supervisor Zhen Jianhui		—	370,792.58	28,796.16	399,588.74
Supervisor Lian Yuebin	(10)	—	375,392.58	29,138.16	404,530.74
Independent Supervisor Dong Yihua		—	48,000.00	—	48,000.00
Independent Supervisor Lin Hai		—	48,000.00	—	48,000.00

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 7 Compensation for key management personnel (Continued)

2017

Title and name	Note	Board expenses RMB	Basic Salaries and other allowances RMB	Retirement plan contributions RMB	Total RMB
Executive Director, Chairman of the Board					
Xuan Zongmin	(2)	—	795,592.14	34,474.32	830,066.46
Executive Director, General Manager					
Tang Yinghai	(3)	—	740,186.39	31,006.08	771,192.47
Executive director, Deputy general manager					
Yao Hanxiong	(4)	—	664,846.95	29,675.28	694,522.23
Executive Director, Deputy General Manager					
Fei Dachuan	(6)	—	537,143.95	19,751.84	556,895.79
Executive Director					
Guo Junfa		—	891,305.64	—	891,305.64
Independent non-executive Director					
Gui Shouping		60,000.00	—	—	60,000.00
Independent non-executive Director					
Lu Zhenghua		60,000.00	—	—	60,000.00
Independent non-executive Director					
Peng Xiaolei	(7)	50,000.00	—	—	50,000.00
Independent non-executive Director					
Jin Wenzhou		60,000.00	—	—	60,000.00
Supervisor					
Du Wanyan		—	44,727.72	—	44,727.72
Supervisor					
Li Xiangrong	(8)	—	304,869.66	—	304,869.66
Supervisor					
Zhen Jianhui		—	329,820.30	—	329,820.30
Supervisor					
Zhang Deyou	(9)	—	190,075.49	—	190,075.49

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 7 Compensation for key management personnel (Continued)

2017 (Continued)

Title and name	Note	Board expenses RMB	Basic Salaries and other allowances RMB	Retirement plan contributions RMB	Total RMB
Supervisor					
Lian Yuebin	(10)	—	337,238.82	—	337,238.82
Independent Supervisor					
Dong Yihua		—	48,000.00	—	48,000.00
Independent Supervisor					
Lin Hai		—	48,000.00	—	48,000.00

Notes:

(1) The compensation for the following key management personnel are not paid by the Group:

2018: non-executive Director Mr. Chen Min, non-executive Director Mr. Li Bin. Executive Director Mr. Guo Junfa is not paid by the Group since August 2018. Supervisor Mr. Hu Xianhua, Supervisor Mr. Wang Qingwei.

2017: non-executive Director Mr. Chen Min, non-executive Director Mr. Li Bin. Supervisor Mr. Hu Xianhua, Supervisor Mr. Wang Qingwei.

(2) The salaries of Mr. Xuan Zongming included his salaries as both of executive Director and Chairman of the Board.

(3) The salaries of Mr. Tang Yinghai included his salaries as both of executive Director and general manager.

(4) The salaries of Mr. Yao Hanxiong included his salaries as both of executive Director and deputy general manager of the Company.

(5) The salaries of Mr. Wen Wu included his salaries as both of executive Director and financial director of the Company, and he became executive Director in August 2017.

(6) The salaries of Mr. Fei Dachuan included his salaries as both of executive Director and deputy general manager of the Company, and he left the position in August 2017.

(7) Mr. Peng Xiaolei left the position as independent non-executive Director in November 2017.

(8) Ms. Li Xiangrong became Supervisor in June 2016.

(9) Ms. Zhang Deyou became Supervisor in April 2017, and left the position in July 2017.

(10) Ms. Lian Yuebin became Supervisor in August 2017.

(11) Ms. Wen Huiying became non-executive Director in August 2018.

(12) Mr. Zhan Xiaotong became non-executive Director in August 2018.

(13) Mr. Gui Shouping left the position as independent non-executive Director in August 2018.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 7 Compensation for key management personnel (Continued)

During the year, the Group and the Company have neither made any payments that served as a motivation for Directors to join, nor paid any compensation for Director's resignation.

Apart from the above directors and supervisors, the compensation for other key management personnel of the Company is as follows:

	2018 RMB	2017 RMB
Other key management personnel	4,722,388.33	5,672,740.72

Note: Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the entity, including director, general manager, chief accountant, financial director, vice general managers taking charge of each business unit, and personnel who perform similar strategic functions. The CEO of the Company is general manager.

Two (2017: three) of the Group's top five highest paid people are directors. The compensation for the remaining three (2017: two) is as follows:

	2018 RMB	2017 RMB
Basic salaries and other allowances	2,271,993.26	1,625,358.52
Retirement plan contributions	117,110.77	56,304.00
<b>Total</b>	<b>2,389,104.03</b>	<b>1,681,662.52</b>

The each emolument of the top five individuals was below HKD1 million in 2018. One individual's emolument of the top five individuals was between HKD1 million to HKD1.5 million in 2017. The each emolument of the remaining four individuals was below HKD1 million in 2017.

### VII. COMMITMENTS

#### 1 Capital commitments

##### *The Group*

	2018 RMB	2017 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	195,648,903.04	207,161,739.67
Capital commitments that have been approved but have not been entered into	183,401,012.17	59,280,000.00
<b>Total</b>	<b>379,049,915.21</b>	<b>266,441,739.67</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VII. COMMITMENTS (CONTINUED)

#### 1 Capital commitments (Continued)

##### *The Company*

	2018	2017
	RMB	RMB
Capital commitments that have been approved but have not been entered into	5,126,000.00	—

#### 2 Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of the operating rights of service zones, properties and the advertising facilities are as follows:

##### *The Group*

	2018	2017
	RMB	RMB
Within 1 year (inclusive)	163,440,092.45	139,736,732.94
After 1 year but within 2 years (inclusive)	144,007,401.29	134,054,703.19
After 2 years but within 3 years (inclusive)	200,236,075.98	123,747,844.81
After 3 years	1,763,381,375.18	1,538,978,702.63
<b>Total</b>	<b>2,271,064,944.90</b>	<b>1,936,517,983.57</b>

##### *The Company*

	2018	2017
	RMB	RMB
Within 1 year (inclusive)	6,918,903.00	6,525,051.00
After 1 year but within 2 years (inclusive)	615,615.00	6,610,671.00
After 2 years but within 3 years (inclusive)	615,615.00	615,615.00
After 3 years	1,795,543.75	2,411,158.75
<b>Total</b>	<b>9,945,676.75</b>	<b>16,162,495.75</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS

### 1 Risk analysis and sensitivity analysis to financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to seek appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

#### (1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and receivables. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk of the Group and the Company is represented by the carrying amount of each financial asset in the balance sheet. The Group and the Company does not provide any other guarantees which would expose the Group and the Company to credit risk.

**VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)****1 Risk analysis and sensitivity analysis to financial instruments (Continued)****(1) Credit risk (Continued)****(a) Accounts receivable**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 29.53% and 61.22% (2017: 27.88% and 74.37%) of the total accounts receivable were due from the five largest customers of the Group and the Company.

In respect of accounts receivable, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. Receivables are due within 30 to 90 days from the date of billing. For debtors with balances past due, the Group will request the debtors to settle all outstanding balances or renegotiate the payment terms. Normally, the Group does not obtain collateral from customers.

**(i) Credit loss exposure and ELCs assessment**

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on aging of accounts receivable and credit loss rate. As the Group's historical credit loss experience indicates 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.

The credit risk exposure and ELCs of each sub-portfolio of accounts receivables as at 31 December 2018 and 2017 is as follows:

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (1) Credit risk (Continued)

##### (a) Accounts receivable (Continued)

##### (i) Credit loss exposure and ELCs assessment (Continued)

##### The Group

	Expected loss rate	31 December 2018		31 December 2017	
		Book value RMB	Provision for bad and doubtful debts RMB	Book value RMB (Restated)	Provision for bad and doubtful debts RMB (Restated)
Road transportation and other service					
Within 1 year (inclusive)	5%	186,234,578.55	(9,439,173.34)	189,477,251.04	(9,473,862.54)
Over 1 year but within					
2 years (inclusive)	35%	6,437,650.75	(2,253,177.76)	7,643,163.59	(2,675,107.26)
Over 2 years but within					
3 years (inclusive)	50%	2,626,414.34	(1,313,207.17)	4,632,971.43	(2,316,485.72)
Over 3 years	100%	5,527,868.11	(5,527,868.11)	4,332,108.06	(4,332,108.06)
Sub-total		200,826,511.75	(18,533,426.38)	206,085,494.12	(18,797,563.58)
Service zone operation					
Within 1 year (inclusive)	5%	49,618,374.29	(2,480,918.71)	60,866,996.95	(3,043,349.85)
Over 1 year but within					
2 years (inclusive)	10%	3,061,576.56	(306,157.66)	897,130.03	(89,713.00)
Over 2 years but within					
3 years (inclusive)	30%	661,008.44	(198,302.53)	855,324.90	(256,597.47)
Over 3 years	50%	848,734.90	(424,367.45)	21,998.00	(10,999.00)
Sub-total		54,189,694.19	(3,409,746.35)	62,641,449.88	(3,400,659.32)



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (1) Credit risk (Continued)

##### (a) Accounts receivable (Continued)

##### (i) Credit loss exposure and ELCs assessment (Continued)

##### The Group (Continued)

	Expected loss rate	31 December 2018		31 December 2017	
		Book value RMB	Provision for bad and doubtful debts RMB	Book value RMB (Restated)	Provision for bad and doubtful debts RMB (Restated)
Constructions materials supply					
Within 1 year (inclusive)	5%	175,197,292.05	(8,759,864.60)	535,519,959.93	(26,775,998.00)
Over 1 year but within					
2 years (inclusive)	10%	8,565,427.77	(856,542.78)	17,313,997.86	(1,731,399.79)
Over 2 years but within					
3 years (inclusive)	30%	3,784,171.13	(1,135,251.34)	8,602,152.10	(2,580,645.63)
Over 3 years	50%	32,708,233.12	(16,354,116.56)	122,207,364.84	(61,103,682.42)
Sub-total		220,255,124.07	(27,105,775.28)	683,643,474.73	(92,191,725.84)
<b>Total</b>		<b>475,271,330.01</b>	<b>(49,048,948.01)</b>	<b>952,370,418.73</b>	<b>(114,389,948.74)</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (1) Credit risk (Continued)

##### (a) Accounts receivable (Continued)

##### (i) Credit loss exposure and ELCs assessment (Continued)

##### The Company

	Expected loss rate	31 December 2018		31 December 2017	
		Book value RMB	Provision for bad and doubtful debts RMB	Book value RMB (Restated)	Provision for bad and doubtful debts RMB (Restated)
Constructions materials supply					
Within 1 year (inclusive)	5%	175,197,292.07	(8,759,864.60)	321,602,199.22	(9,513,890.42)
Over 1 year but within 2 years (inclusive)	10%	8,565,427.77	(856,542.78)	5,050,021.00	(505,002.10)
Over 2 years but within 3 years (inclusive)	30%	3,784,171.13	(1,135,251.34)	4,879,044.80	(1,463,713.44)
Over 3 years	50%	34,179,314.00	(16,354,116.56)	99,814,994.25	(33,397,898.63)
Total		221,726,204.97	(27,105,775.28)	431,346,259.27	(44,880,504.59)

Expected loss rates are based on actual historic loss experience. 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 FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

##### (1) Credit risk (Continued)

##### (a) Accounts receivable (Continued)

(ii) Movements in the loss allowance account in respect of trade receivables during the year is as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Balance at the beginning of the year	(114,389,948.74)	(99,821,047.07)	(44,880,504.59)	(41,470,161.92)
Charge into income statement during the year	36,518,790.86	(14,586,741.94)	17,774,729.31	(3,410,342.67)
Written-off during the year	604,626.80	14,602.80	—	—
Deductions resulting from consolidation scope change	28,217,583.07	3,237.47	—	—
Balance at the end of the year	(49,048,948.01)	(114,389,948.74)	(27,105,775.28)	(44,880,504.59)

##### (b) Other receivables – excluding interest receivable and dividend receivable

Other receivables excluding interest receivable and dividend receivable mainly include deposits, government grants and advances paid on behalf of other parties. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor rather than the industry, country or area in which the debtors operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual debtors. At the balance sheet date, 35.78% and 79.28% (2017: 31.96% and 92.72%) of the total other receivables were due from the five largest customers of the Group and the Company.

In respect of other receivables, the Group monitors credit risk through monitoring the operation results of the debtors and the economic conditions. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. For debtors with balances past due, the Group will request the debtors to settle all outstanding balances or renegotiate the payment terms. Normally, the Group does not obtain collateral from customers.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (1) Credit risk (Continued)

##### (b) Other receivables – excluding interest receivable and dividend receivable (Continued)

##### (i) Credit loss exposure and expected credit loss assessment

The Group measures loss allowance at an amount equal to 12-month ECLs for other receivables which is determined to have low credit risk at the balance sheet date or the credit risk of which has not increased significantly since initial recognition, and at an amount equal to lifetime ECLs for all other other receivables. The Group calculates ECLs according to the ageing of other receivables and credit loss rate.

During the year, other receivables that have low credit risk mainly include deposits, governments and staff advances. Since the borrower has a strong capacity to meet its contractual cash flow obligations and little credit loss occurred according to historical data, the Group considers these other receivables have low credit risk in the following 12 months considering the current economic condition and operating environment.

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.

Excpet the above other receivables with low credit risk, other receivables mainly include advances paid on behalf of other parties during operation. The Group calculates ECLs according to the ageing and credit loss rate of these other receivables. Expected loss rates are based on actual historic loss experience. 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. The credit loss rates are as follows:

	The Group		The Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Credit loss rate				
Within 1 year (inclusive)	5%	5%	5%	5%
Over 1 year but within 2 years (inclusive)	10%	10%	10%	10%
Over 2 years but within 3 years (inclusive)	30%	30%	30%	30%
Over 3 years	50%	50%	50%	50%

At the balance sheet date, the expected credit loss of other receivables calculated according to the credit risk exposure and credit loss rate of the Group and the Company was RMB102,993,942.30 and RMB35,393,452.46 (2017:RMB85,606,476.35 and RMB37,248,201.76).

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (1) Credit risk (Continued)

##### (b) Other receivables – excluding interest receivable and dividend receivable (Continued)

(ii) Movements in the loss allowance account in respect of other receivables during the year is as follows:

	The Group		The Company	
	31 December 2018 RMB	31 December 2017 RMB (Restated)	31 December 2018 RMB	31 December 2017 RMB (Restated)
Balance at the beginning of the year	(85,606,476.35)	(92,043,668.82)	(37,248,201.76)	(38,500,264.33)
Charge into income statement during the year	(15,631,004.52)	(3,541,275.76)	1,854,749.30	1,252,062.57
Written-off during the year	1,117,396.54	28,915.83	—	—
Deductions resulting from consolidation scope change	337,310.17	9,949,552.40	—	—
Transfer from long-term receivables (note V 7)	(3,211,168.14)	—	—	—
Balance at the end of the year	(102,993,942.30)	(85,606,476.35)	(35,393,452.46)	(37,248,201.76)

#### (2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (2) Liquidity risk (Continued)

##### The Group

2018 Contractual undiscounted cash flow					
	Within 1 year	More than	More than		Carrying amount
	or on demand	1 year but less	5 years	Total	at balance
		than 5 years			sheet date
Short-term loans	114,009,814.52	—	—	114,009,814.52	109,800,000.00
Bills and accounts payable	837,145,791.31	—	—	837,145,791.31	837,145,791.31
Other payables	732,675,635.19	—	—	732,675,635.19	732,675,635.19
Non-current liabilities due within one year	321,313,082.82	—	—	321,313,082.82	271,095,768.23
Long-term loans	—	705,372,259.76	139,973,680.34	845,345,940.10	771,403,711.60
Bonds payable	32,100,000.00	801,500,000.00	—	833,600,000.00	736,339,628.81
Long-term payables	—	298,670,483.65	—	298,670,483.65	282,816,003.27
Total	2,037,244,323.84	1,805,542,743.41	139,973,680.34	3,982,760,747.59	3,741,276,538.41

2017 Contractual undiscounted cash flow					
	Within 1 year	More than	More than		Carrying
	or on demand	1 year but less	5 years	Total	amount
		than 5 years			at balance
					sheet date
Short-term loans	221,802,617.67	—	—	221,802,617.67	217,806,642.67
Bills and accounts payable	1,642,202,552.16	—	—	1,642,202,552.16	1,642,202,552.16
Other payables	696,811,970.82	—	—	696,811,970.82	696,811,970.82
Non-current liabilities due within one year	122,606,321.52	—	—	122,606,321.52	117,718,710.29
Long-term loans	—	574,691,553.24	204,480,653.36	779,172,206.60	558,075,133.02
Bonds payable	30,404,000.00	870,208,000.00	—	900,612,000.00	775,310,816.19
Long-term payables	—	168,529,092.12	12,264,586.35	180,793,678.47	165,168,357.56
Total	2,713,827,462.17	1,613,428,645.36	216,745,239.71	4,544,001,347.24	4,173,094,182.71

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (2) Liquidity risk (Continued)

##### The Company

	2018 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Short-term loans	41,649,424.66	—	—	41,649,424.66	40,000,000.00
Bills and accounts payable	48,724,615.18	—	—	48,724,615.18	48,724,615.18
Other payables	563,410,736.74	—	—	563,410,736.74	563,410,736.74
Bonds payable	32,100,000.00	801,500,000.00	—	833,600,000.00	736,339,628.81
<b>Total</b>	<b>685,884,776.58</b>	<b>801,500,000.00</b>	<b>—</b>	<b>1,487,384,776.58</b>	<b>1,388,474,980.73</b>

	2017 Contractual undiscounted cash flow				Carrying amount at balance sheet date
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total	
Bills and accounts payable	578,392,323.80	—	—	578,392,323.80	578,392,323.80
Other payables	767,043,723.88	—	—	767,043,723.88	767,043,723.88
Bonds payable	30,404,000.00	870,208,000.00	—	900,612,000.00	775,310,816.19
<b>Total</b>	<b>1,375,840,047.68</b>	<b>870,208,000.00</b>	<b>—</b>	<b>2,246,048,047.68</b>	<b>2,120,746,863.87</b>

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

(a) As at 31 December, the following interest-bearing financial instruments were held:

#### The Group

Fixed rate instruments:

	2018		2017	
	Effective interest rate	Amount RMB	Effective interest rate	Amount RMB
Financial assets				
– Long-term receivables	4.17% – 42.84%	8,481,463.51	4.17% – 42.84%	10,299,660.09
Financial liabilities				
– Short-term loans	4.26% – 4.35%	(109,800,000.00)	4.00% – 4.35%	(207,806,642.67)
– Long-term loans	4.75%	(76,303,240.72)	4.75%	(5,898,567.97)
– Long-term payables	4.22% – 4.75%	(331,401,506.85)	4.22% – 5.60%	(163,331,889.94)
– Bonds payable	4.20% – 4.50%	(736,339,628.81)	3.58% – 4.20%	(775,310,816.19)
<b>Total</b>		<b>(1,245,362,912.87)</b>		<b>(1,142,048,256.68)</b>



# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (3) Interest rate risk (Continued)

(a) As at 31 December, the following interest-bearing financial instruments were held: (Continued)

##### The Group (Continued)

Variable rate instruments:

		2018		2017	
		Effective	Amount	Effective	Amount
		interest rate	RMB	interest rate	RMB
Financial assets					
– Cash at bank		0.30% – 0.35%	1,131,222,667.64	0.30% – 0.35%	1,860,420,476.71
Financial liabilities					
– Short-term loans	Note	–	–	4.35%	(10,000,000.00)
– Long-term loans	Note	4.28% – 4.90%	(869,592,829.61)	4.28% – 4.90%	(623,864,686.63)
<b>Total</b>			<b>261,629,838.03</b>		<b>1,226,555,790.08</b>

Note: The interest rates of loans held by the Group are same as the benchmark loan interest rates announced by the People's Bank of China at the drawdown dates of the loans and are adjusted annually.

##### The Company

Variable rate instruments:

		2018		2017	
		Effective	Amount	Effective	Amount
		interest rate	RMB	interest rate	RMB
Financial assets					
– Cash at bank		0.30%	622,984,930.41	0.30%	929,530,884.06

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

##### (3) Interest rate risk (Continued)

##### (b) Sensitivity analysis

As at 31 December, it is estimated that a general increase of 25 basis points in interest rates, with all other variables held constant, would increase the equity and net profit of the Group and the Company:

	The Group		The Company	
	2018	2017	2018	2017
	RMB	RMB	RMB	RMB
Equity	490,555.95	2,299,792.11	1,168,096.74	1,742,870.41
Net profit	490,555.95	2,299,792.11	1,168,096.74	1,742,870.41

As at 31 December, it is estimated that a general decrease of 25 basis points in interest rates, with all other variables held constant, would lead to a same amount but reverse change with it is mentioned about to equity and net profit of the Company.

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group or the Company at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (4) Foreign currency risk

The functional currency of the Group's Hong Kong subsidiaries is HKD, while, it is RMB for the Group's other subsidiaries. In respect of cash at bank and on hand, accounts receivable and payable, short-term loans and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

#### The Group

	31 December 2018		31 December 2017	
	Foreign currency balance	RMB balance	Foreign currency balance	RMB balance
Cash at bank and on hand				
– USD	2,675,135.86	18,359,992.43	2,653,028.98	17,335,421.96
– HKD	2,527,759.39	2,214,822.78	2,527,533.35	2,112,765.13
Other payables				
– USD	–	–	(21.41)	(139.90)
Gross balance sheet exposure				
– USD	2,675,135.86	18,359,992.43	2,653,007.57	17,335,282.06
– HKD	2,527,759.39	2,214,822.78	2,527,533.35	2,112,765.13

There were no assets and liabilities denominated in foreign currencies for the Company as at 31 December 2018 and 31 December 2017.

- (b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2018	2017	2018	2017
USD	6.6987	6.7356	6.8632	6.5342
HKD	0.8561	0.8652	0.8762	0.8359

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

## VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 1 Risk analysis and sensitivity analysis to financial instruments (Continued)

#### (4) Foreign currency risk (Continued)

##### (c) Sensitivity analysis

- (i) For subsidiaries adopt RMB as functional currency, assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and HK dollar at 31 December would have increased the Group's and the Company's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the balance sheet date.

As at 31 December 2018

	Equity		Net profit	
	The Group	The Company	The Group	The Company
USD	(688,499.72)	—	(688,499.72)	—
HKD	(83,055.85)	—	(83,055.85)	—
<b>Total</b>	<b>(771,555.57)</b>	<b>—</b>	<b>(771,555.57)</b>	<b>—</b>

As at 31 December 2017

	Equity		Net profit	
	The Group	The Company	The Group	The Company
USD	(650,073.08)	—	(650,073.08)	—
HKD	(84,781.93)	—	(84,781.93)	—
<b>Total</b>	<b>(734,855.01)</b>	<b>—</b>	<b>(734,855.01)</b>	<b>—</b>

A 5% weakening of the Renminbi against the US dollar and HK dollar at 31 December would have had the equal but opposite effect on the Group's and the Company's equity and net profit to the amounts shown above, on the basis that all other variables remained constant.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 2 Fair value measurement

##### (i) Fair value measurement

As at 31 December 2018 and 31 December 2017, the Group and the Company did not have significant financial instruments carried at fair value.

##### (ii) Fair value of other financial instruments (items not measured at fair value at the end of the year)

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2018 and 2017.

#### 3 Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders. The Group's capital structure is regularly reviewed and managed to maintain a health net debt-to-capital ratio. The Group's net debt is defined as total debt minus cash at bank and on hand. Shareholders' equity represents equity attributable to shareholders of the parent company presented in statement of changes in shareholders' equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or fund new borrowings to decrease liability.

Cash at bank and on hand and liabilities as at 31 December is as follows:

	Note V	2018 RMB	2017 RMB
Cash at bank and on hand	1	1,114,271,816.51	1,857,779,421.60
Less: Current liabilities			
Short-term loans	19	109,800,000.00	217,806,642.67
Long-term loans due within one year	26	174,492,358.73	71,688,121.58
Long-term finance leases payable due within one year	29	58,614,567.10	41,157,401.09
Non-current liabilities			
Long-term loans	27	771,403,711.60	558,075,133.02
Bonds payable	28	736,339,628.81	775,310,816.19
Long-term payable- finance leases payable	29	155,715,034.88	119,554,679.09
<b>Total debts</b>		<b>2,006,365,301.12</b>	<b>1,783,592,793.64</b>
Net (debts)/cash at bank and on hand		(892,093,484.61)	74,186,627.96

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 4 Post balance sheet date events

##### *Payment of cash dividends of ordinary shares proposed after the balance sheet date*

On 13 March 2019, the Board of Directors approved to recommend distribution of final dividend of 2018 of the Company of RMB0.17 before tax per share, totalling RMB135,974,126.00, calculated based on the total number of shares of 799,847,800 of the Company as of 31 December 2018. Such cash dividends proposed after the balance sheet date are not recognised as a liability.

#### 5 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, MOF has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

##### *CAS No.21 – Lease (Revised) (the “new lease standard”)*

The Group plans to apply the new lease standard at 1 January 2019. The Group is in the process of making an assessment of what the impact of the new lease standard is expected to be in the period of initial application. So far the group has identified some aspects of the new lease standard which may have a significant impact on the consolidated financial statements. The actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group’s financial report. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report. Further details of the expected impacts are discussed below.

**VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)****5 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (Continued)*****CAS No.21 – Lease (Revised) (the “new lease standard”) (Continued)******1) The new lease standard***

As disclosed in note II.26, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

After assessment, the Group believes that the new lease standard is not expected to impact significantly on the way that the Group account for their rights and obligations under a lease as a lessor. However, for the lease of the Group as a lessee, once the new lease standard is adopted, the finance lease and the operating lease are no longer distinguished. The Group will account all leases in a manner similar to the current finance leases, ie, 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 relevant accounting treatment may differ according to the practical expedient selected by the Group). After the initial recognition of the relevant assets and liabilities, the Group will recognise the interest expense arising from the outstanding balance of the lease liability and the depreciation expense of the right-of-use asset, instead of confirming it in a systematic and reasonable manner during the lease term in accordance with current accounting policies. As a practical expedient, the Group may not apply the new accounting model to short-term leases (ie leases with a lease term of not more than 12 months at the beginning of the lease term) and low-value asset leases; in this case, the rental fee will continue to be recognized in a systematic and reasonable manner during the lease term.

The new lease standard will primarily affect the Group's accounting as a lessee which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

### VIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 5 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (Continued)

##### *CAS No.21 – Lease (Revised) (the “new lease standard”) (Continued)*

##### *1) The new lease standard (Continued)*

As allowed by new lease standard, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in the new lease standard only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of the new lease standard and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information.





**廣東粵運交通股份有限公司**

GUANGDONG YUEYUN TRANSPORTATION COMPANY LIMITED