



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

INTERIM REPORT 2019



FOCUS ON THE **MAIN BUSINESS**
TO CREATE **A SUSTAINABLE ECONOMIC CYCLE**
IN **SERVICE INDUSTRY**

* For identification purposes only

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking data and/or data that is not based on historical data and uses forward-looking expressions such as "anticipate", "believe", "intend", "could", "expect", "estimate", "may", "ought to", "should" or "will".

Readers are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although the Group believes that assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be incorrect and as a result, the inclusion of forward-looking statements in this report should not be regarded as representations by the Group concerning future performance of the Group and readers should not place undue reliance on such forward-looking statements. Unless required by regulatory authorities otherwise, the Group is not obliged or liable to update those forward-looking statements hereafter.

Company Profile

Guangdong Yueyun Transportation Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are 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.

Company Information

LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

STOCK CODE

03399

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

BOARD OF DIRECTORS

Executive Directors

Xuan Zongmin
Tang Yinghai
Yao Hanxiong
Wen Wu
Zhang Xian

Non-Executive Directors

Chen Min
Chen Chuxuan

Independent Non-Executive Directors

Jin Wenzhou
Lu Zhenghua
Wen Huiying
Zhan Xiaotong

COMPANY SECRETARY

Zhang Li

AUTHORISED REPRESENTATIVES

Xuan Zongmin
Tang Yinghai

AUDITOR

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PRINCIPAL BANKS

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

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HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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Financial Highlights

| | For the six months ended 30 June 2019 RMB' 000 | For the six months ended 30 June 2018 RMB' 000 (Restated) | Change |
|---|---|--|----------|
| Results highlights | | | |
| Operating income | | | |
| Travel service | 2,945,798 | 2,600,573 | 13% |
| Material logistics | 214,275 | 579,920 | (63%) |
| Other business | 3,890 | 2,984 | 30% |
| Total operating income | 3,163,963 | 3,183,477 | (1%) |
| Gross profit | | | |
| Travel service | 593,870 | 541,975 | 10% |
| Material logistics | 5,421 | 45,387 | (88%) |
| Other business | 2,775 | (234) | (1,286%) |
| Total gross profit | 602,066 | 587,128 | 3% |
| Taxes and surcharges | (20,215) | (22,347) | (10%) |
| Selling and distribution expenses | (34,191) | (30,238) | 13% |
| General and administrative expenses, and research and development expenses | (327,300) | (324,781) | 1% |
| Finance expenses | (87,789) | (75,461) | 16% |
| Impairment losses | (891) | (3,049) | (71%) |
| (Accrual)/reversal of credit losses | (5,664) | 47,966 | (112%) |
| Other income | 163,770 | 105,841 | 55% |
| Investment income | 18,252 | 22,394 | (18%) |
| Gains from asset disposals | 3,143 | 308 | 921% |
| Operating profit | 311,181 | 307,759 | 1% |
| Non-operating income and expenses | (360) | (1,299) | (72%) |
| Total profit | 310,821 | 306,460 | 1% |
| Income tax expenses | (76,616) | (81,627) | (6%) |
| Net profit | 234,205 | 224,833 | 4% |
| Profit and loss attributable to minority interests | (48,553) | (26,521) | 83% |
| Net profit attributable to shareholders of the Company | 185,652 | 198,312 | (6%) |
| Basic earnings per share (RMB) | 0.23 | 0.25 | (6%) |
| Diluted earnings per share (RMB) | 0.23 | 0.25 | (6%) |

Financial Highlights

| | 30 June 2019 | 31 December 2018 | Change |
|---|--|--|--------------|
| | RMB' 000 | RMB' 000 (Restated) | |
| Results highlights | | | |
| Total assets | 10,363,100 | 10,046,646 | 3% |
| Total net assets | 3,468,661 | 3,385,089 | 2% |
| Equity attributable to shareholders of the Company | 2,292,580 | 2,242,989 | 2% |
| Net assets per share attributable to owners of the Company (RMB) | <u>2.87</u> | <u>2.80</u> | <u>2%</u> |
| | For the six months ended 30 June 2019 | For the six months ended 30 June 2018 (Restated) | Change |
| Gross profit margin | 19.03% | 18.44% | 3% |
| Interest coverage ratio (times) | <u>8.24</u> | <u>9.76</u> | <u>(16%)</u> |
| | 30 June 2019 | 31 December 2018 (Restated) | Change |
| Gearing ratio | 66.53% | 66.31% | 0% |
| Current ratio (times) | <u>0.97</u> | <u>0.97</u> | <u>0%</u> |

Gross profit margin = Gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

Financial Highlights

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 30 June 2019 | As of 30 June 2018 |
|------------------|-----------------------|-----------------------|
| Tier 1 terminals | 10 | 10 |
| Tier 2 terminals | 28 | 28 |
| Tier 3 terminals | 15 | 15 |
| Other terminals | 26 | 27 |
| Total | <u>79</u> | <u>80</u> |

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

Unit: No. of resources

| Major resources | As of 30 June 2019 | As of 30 June 2018 |
|--|-----------------------|-----------------------|
| Expressway service zones | 290 | 256 |
| Gas stations | 176 | 165 |
| Self-operated convenience stores in expressway service zones | 301 | 233 |
| Expressway media | 570 | 482 |

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:

| Operating model | 30 June 2019 | | 30 June 2018 | |
|----------------------|--------------|----------------|--------------|----------------|
| | Number | % | Number | % |
| Self-operated | 34 | 19.32% | 23 | 13.94% |
| Contracted operation | 142 | 80.68% | 142 | 86.06% |
| Total | <u>176</u> | <u>100.00%</u> | <u>165</u> | <u>100.00%</u> |

Chairman's Statement

In the first half of 2019, affected by the external shocks such as the escalation of trade friction between China and the United States, China's economic growth rate has been exposed downward pressure. The Chinese government implemented a series of countercyclical policies to support the economy. Under the directional guidance of "stabilizing employment, stabilizing the financial system, stabilizing foreign trade, stabilizing foreign investment, stabilizing investment and stabilizing expectation", the Chinese economy is responding to various challenges with a more positive approach.

In the first half of 2019, China's traffic and transportation economy was generally stable and steadily moved forward. Investments in transportation fixed assets remained at a high level, the passenger transport structure continued to adjust, the traffic volume of passenger car in expressway increased rapidly, the urban public passenger transportation scale maintained its growth and the passenger transportation and traffic volume of highway continued to decline. Guangdong province is accelerating the interconnection of infrastructures, striving to establish a rapid transportation network in Guangdong, Hong Kong and Macao Bay Area and building a modern integrated transportation system. Guangdong province is enhancing industry's intelligent level by promotion of the use of a single ticket for all connecting trips and a single card for all modes of transport, while vigorously develops smart transportation and green transportation and increases usage of new energy in transportation equipment. Highway network in Guangdong province continued to improve, together with further enhancing in capacity of traffic, flow level and accessibility in rural highways, the rate of passage of passenger car reached 100% in administrative villages qualified with passage of passenger car.

The Group took the "13th Five-Year Plan Strategic Development Plan" as the guideline for action to always focus on the core business of travel services and actively build a travel service ecosystem. The Group organized and coordinated industrial upgrade and capital operation by adhering to the six key objectives of "strengthening the Party, strengthening the principal businesses, changing the approaches, facilitating the reforms, emphasizing on management and control, and keeping stable". The Group focused on adjusting the structure of passenger services available for improving development quality of travel service industry. The Group accelerated and strengthened regional transportation by focusing on further exploiting network resources and value, actively facilitated the transformation and upgrading of the integrated platform for comprehensive travel services by focusing on deepening the synergies among various businesses, and solidly improved the operational management efficiency by focusing on reinforcing the "Internet+" information technology construction.

The Group defines 2019 as the new century of "second reform and starting a business at the second time". 2019 is a year with opportunities and challenges. In the second half, the Group will continue to integrate our internal and external service resources by adhering to the key objectives of "strengthening the Party, strengthening the principal businesses, changing the approaches, facilitating the reforms, emphasizing on management and control, and keeping stable", focusing on "travel", driven by market demand and for the purpose of improving client experiences. The Group will connect online and offline channels for focusing on establishment of an internet integrated comprehensive travel service platform so as to providing an integrated travel service comprehensive solution for our clients. The Group will actively advance the progress of listing of A shares and highly emphasize market capitalization management, in order to lay a solid foundation for the strategic plan of comprehensively establishing a travel service ecosystem by endeavoring to leverage capital to lay the basis for achieving high quality of travel service of our Group.

Chairman's Statement

Key business developments of the Group in the second half of 2019 are as follows:

1. Road passenger transportation and auxiliary services

- (1) To adhere to a connotative growth of passenger transportation business, by further strengthening operational advantages in regional passenger transportation network integration scale, enhancing core routes, expanding special route transportation, increasing the supply of transportation products suitable for customers in the market, and enabling transportation organizations to upgrade their production mode through an intelligent travel service platform.
- (2) To continuously increase its efforts in the expansion of integrated and networked urban and rural passenger transportation operating model by further improving the plan for rural passenger terminals and expediting the construction of an integrated rural transportation service system with multiple functions such as "passenger transportation, logistics, commerce, tourism".
- (3) To actively participate in the planning and development of urban comprehensive transportation services in the Guangdong-Hong Kong-Macao Greater Bay Area, and maintain good relations with the government to extend itself to transportation and tourism industry in three areas through leveraging favorable opportunity of expanding the transportation business in the Hong Kong-Zhuhai-Macao Bridge.
- (4) To deepen the supply side reform of passenger transportation business and carry out the planning and system integration for transportation resources. "big changed to small", "high, medium and low" and other measures will be adopted to optimize vehicle model and structure, and vehicle model and structure will be adjusted or a portfolio of vehicle models will be enriched on a trial basis to enhance customers' experience. The Group will strive to pilot the multi-use of one license in shuttle bus routes and turn route license of shuttle bus into sign license of chartered cars to improve the mobility and convenience of passenger transportation operations.
- (5) Committed to improving the information level of passenger transportation service platform development, further optimizing the functions of "Yuxing (悦行)" platform and WeChat public account online platform with "travel with only one button" as the core to optimize the ticket purchase process, and promoting the construction, popularization and application of mobile travel service information collection platform to provide users with diversified travel services, striving for continuous expansion in revenue from online car-hailing.

2. Service zones operation

- (1) To advance and realize synchronous investment and operation of 13 pairs of service zones (including carpark zones) for 5 sections such as He-Hui-Guan, Qingyun and Gao'en with the opening of such sections as scheduled.
- (2) To accelerate the construction, investment and operation of gas stations, and promote the construction of new gas stations in service zones including Chengbei, Yingde and Ketang as well as the renovation and construction of Shachong, Huanggang, Shunjing gas stations.
- (3) To deepen its cooperation with Sinopec and PetroChina for the establishment of a new cooperation model of mutual benefit and actively promote in-depth cooperation with joint ventures in energy business such as gas stations.
- (4) To 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.
- (5) To steadily expand the scale of "Yueyun Loyee" convenience stores, aiming to build 600 stores.
- (6) To promote the operation capacity and system platform upgrading as well as data standardization for convenience store business, and optimize the convenience store retail operation and management and control mode in terms of local product operation, product structure optimization, supply chain value exploration, retail model innovation, etc.
- (7) To complete the commercial upgrading and transformation projects in service zones such as Yayao, Luhe, Xincheng, Doumen and Fucheng, and build featured service zones accommodated to the local conditions, striving to achieve both social benefits and economic benefits in service zone operations.
- (8) To strengthen the cultural industry of the Group by continuously exploring the resource value in development of advertising media business, enhancing self-operation and planning business expansion capability, optimizing revenue structure and benefit contribution, and forging toward an omnimedia.

Chairman's Statement

Key business developments and financing arrangements for the second half of 2019

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

Xuan Zongmin

Chairman

Guangzhou, PRC

19 August 2019

BUSINESS REVIEW

The Group actively promoted the layout for travel service business and strived to integrate its operation into the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the coordinated development and construction of Guangdong in the form of “one centre, one belt and one region” by actively advancing the development of its energy business, convenience stores business and merchant solicitation business as the three engines, which provided new driving forces for continuous transformation and upgrading of our travel service business. The Group highly emphasized on capital operations and expansion of value of its capital, and actively promoted the Company’s return to the A-share market. During the first half of the year, the Company has completed the update on pre-disclosure of the application proof of its prospectus with an aim to become a “H+A” listed company in order to better leverage the capital markets in Mainland China and Hong Kong for higher quality, more efficient and more sustainable development.

Travel Services Segment

1. *Road passenger transportation and auxiliary services*

As a leader in the road passenger transportation industry in the Guangdong province, the Group committed to the wisdom of Yueyun for adjustment and reform of the road passenger transportation industry policies and improving user experience by proposing the Yueyun proposal. By seeking support from governments at all levels and market expansion, the Group has been expanding its regional transportation network, striving to achieve breakthrough in bottlenecks of business development and facilitating organic development of its passenger transportation business. The policy of “One County One Target” for consolidation of transportation resources was actively promoted. Solid efforts have been made to adjust the structure of the business and the new mode of operation through organic combination of franchised routes and areas was explored. We put efforts on promoting the development of the integrated transportation network services business that covers both rural passenger transportation and urban public transportation, and continued to promote public transportation transformation for inter-county routes and rural passenger transport lines. We accelerated our efforts to optimize the structure of models of vehicles to accelerate optimization and upgrading of capacities of vehicles. We accelerated our efforts to optimize the structure of transportation capacities of “big, medium and small-sized” models of vehicles. With focus on promoting rational and diverse operation of vehicles, we promote diverse services offering of core routes. We further promoted the application of new energy vehicles with 3,662 self-owned new energy vehicles, which represent a year-on-year increase of 36.74%. We vigorously promoted the development of the integrated urban and rural passenger transportation business and integrated travel services (including automobile leasing, charter coach, taxis and transportation +tourism services). We made solid efforts to integration of routes and cut certain underperforming long-haul routes. The Group actively promoted its regional companies to develop passenger transportation business, which enabled the smooth operation of public transportation TC (Transport Community) model in Zengcheng. During the first half of the year, we have reclaimed 643 contracted vehicles for self-operation. The proportion of our vehicles for self-operation to the total number of vehicles continued to increase. We have made efforts to improve our services and maintain our brand image, in order to improve efficiency of passenger transportation while effectively reducing the risk of accidents.

Management Discussion and Analysis

The Group is committed to construct an integrated comprehensive travel service platform with the support of informationization, and accelerated to promote online and offline vehicle resources integration of the Group. With Yuexing (悦行) platform and the WeChat Public Platform of Yueyun Transport to achieve the core objective of "travel with only one button", we successfully launched online travel products including ticketing with single network in the Guangdong province, charter coach for tourist travel and urban customized travel. We continued to deepen the transformation and upgrading of the digital road and passenger transportation business to achieve improvement experience. As of 30 June 2019, the total value of tickets sold online amounted to RMB312 million, representing a year-on-year increase of 21.44%, of which the value of tickets sold on the WeChat Public Platform of Yueyun Transport amounted to RMB149 million, representing a year-on-year increase of 227.8%. The Group has successively obtained the licenses for online taxi booking business operation in 7 cities, including Guangzhou, Zhongshan, Heyuan, Zhaoqing, Chaozhou, Shaoguan and Yangjiang. We will work with potential strategic partners in exploring possibilities of market-oriented development and actively response to the challenges in the passenger transportation market with evolving demand.

By active participation in constructing the comprehensive transportation network system of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group has been performing well in the operation of the shuttle bus franchise project of the Hong Kong-Zhuhai-Macao Bridge. Having fully leveraged on the cross-border platform, our business has fully captured the unprecedented opportunities of development arising from the operation of the Hong Kong-Zhuhai-Macao Bridge and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area. We fully played the role of "cross-border platform" in the areas of customized passenger transport lines, cross-border short-distance and charter coach and "cross-border transportation + domestic transportation" mode of transportation to facilitate quality development of the cross-border passenger transportation business.

During the first half of the year, we expanded mileages through the traffic rescue business in the area of rescue services on expressway, with mileages of 5,124 kilometres, representing a year-on-year increase of 15.05%. "Yueyun Rescue" has gained greater advantages in terms of network and scale, with a year-on-year increase of 28.64% in the number of calls for rescue. Through standard management and optimizing the establishment of the stations, joint administration by road administration brigades and traffic police, the punctuality rate of onsite-rescue and clearance has been improving, which benefited us in enhancing our brand image and achieving improvement in economic and social benefits.

Management Discussion and Analysis

2. *service zones operation*

(1) Energy business

The Group has attached great importance to the strategic value of “Yueyun Energy”, and has continued to expand its business scope and accelerated the expansion of the network of the self-operated stations, in order to steadily expand the market share of its gas stations and continuously expand influence of “Yueyun Energy” as our brand. As of 30 June 2019, the Group operated 34 self-operated gas stations, representing a year-on-year increase of 11 stations. We have commenced the upgrading and construction of four gas stations which have been reclaimed for self-operation in Shachong, Shunjing, Huanggang and Wengyuan. We are constructing four gas stations in Shaoguan, Chengbei and Yingde.

We continued to strengthen the supply of petroleum to some passenger transportation companies of the Group through equipment and facilities in the skidmounted stations, and thus effectively reduced fuel costs of passenger transportation companies of the Group. We have made thorough adjustments to the strategic cooperation with Sinopec and PetroChina, and accelerated the expansion in investment and capital contribution in the joint ventures, in order to develop new ways of cooperation for mutual benefits.

The Group vigorously improved service quality and operating capability of “Yueyun Energy” and attached great importance to sophisticated management. Through various measures of “one station, one strategy”, standard management and marketing events for members, the operating efficiency has been improving. We continued to implement the incentive and assessment plan for total tonnage at gas stations, which benefited us in enhancing marketing capabilities in the gas station market.

The Group steadily promoted the establishment of the network of charging business in accordance with the business plans of charging piles, prioritized construction of inter-city power charging facilities on national expressways within the 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 promoted the interconnection between urban charging stations and social charging platforms for increasing the utilization rate of urban charging piles. As of 30 June 2019, the Group built 41 charging stations and 516 charging piles for passenger transportation terminals, 65 charging stations and 226 charging piles in service zones.

Management Discussion and Analysis

(2) Convenience stores retail business

During the first half of the year, “Yueyun Loyee” convenience stores have steadily expanded scale of convenience stores with a focus on maximizing economic benefits. Through resources integration of online malls and offline stores, we introduced the “amoeba” mode of operating management, by which the retail business will be divided into units on the business boundaries of three major business centres, namely procurement and sales, delivery and retail, while internal rules and price will be determined for transactions and assessed value will be fixed through internal trading. This approach achieved actual participation by all employees in operation and management, effectively enhancing overall competitiveness of our business. As of 30 June 2019, the Group operated 534 convenience stores, representing a year-on-year increase of 87 stores.

We further strengthened our strategy of marketing of special local products in Guangdong by enhancing the development of supply chain for special local products in Guangdong and continued to fully implement the pilot operating system of special local products, under which we delegated the power of procurement and operation of special local products to various sites, improving flexibility in business. Currently, there are over 2,100 barcodes for various types of retail products. We actively promote the “large distribution” service of customized quality merchandises and materials for customers of group buying in need, with an aim to extend our industrial chain for sales of goods. We have strengthened our incentive mechanism for employees to improve services performed by our employees, optimize composition of employees at our stores, encourage employees to strengthen innovation and increase revenue and realize the arrangement of performance-based remuneration system.

Management Discussion and Analysis

(3) Merchant solicitation business

The Group has further maximized the value of the existing service zones with a focus on developing featured service zones with unique characters by selecting more service zones which have significant location advantages or making interchanges of expressways with large annual traffic volumes and large demand for logistics the planned extended areas for these service zones, which will be used for integrated commercial projects that combine various functions of logistics, catering, entertainment and shopping in the city, in order to make our contribution in developing cities with unique characteristics. The “Qiaoxiang Township” (僑鄉小鎮) thematic service zone in Dahuai that has been successfully put into operation has achieved favorable results towards its goals. The transformation project of the service zone in Yayao has commenced, with preliminary works of investment attraction completed. The commercial design for the commercial transformation projects of service zones in Xincheng, Luhe and Doumen has been completed, while preparation of transformation plan and assessment of consideration for the service zone in Fucheng has been commenced. Based on factors such as data of traffic of various models of vehicles, site areas of service zones and geographical locations, we selected service zones in the Guangdong Province and commenced works of planned pilots and the construction of service zones for goods vehicles. The Group has attached great importance to social responsibilities. The Group has been promoting the implementation of categorization of wastes of the service zones surrounding expressways, while further securing the results of “Toilet Revolution”, realizing a waste categorization system with facilities, signs and guidelines in the service zones that optimize the environment for consumers in the service zones. As of 30 June 2019, the Company owned 290 service zones with operating right, representing a year-on-year increase of 26 service zones.

The Group improved and strengthened management of the merchant solicitation business, revitalized idle store resources, increased the utilization rate of commercial space and further exploit the potential value of new projects including automobile repair. We accelerated the connection of the service zone merchant information system, built a merchant solicitation information model and enhanced our single-district merchant solicitation capability and our capability to exploit the value of online merchants. We actively explored business models such as “platform + self-operation”, “platform + collaboration” and “platform + franchise” and introduced social capital, partners and professional operation and management team with a more open mind.

Management Discussion and Analysis

(4) Advertising media business

The Group actively facilitated the advertising media business with its omnimedia development and upgrading strategy. Through exploiting internal resources of the Group, the Group put greater efforts in the acquisition of advertisement resources inside and outside of the system and the broadening of business collaboration, streamlined and formulated the standards for the planning and construction of advertising resources in service zones and terminals, expanded the advantages in media resources and built and solid support for the strategic business. The Group explored merger and acquisition towards an omnimedia, expanding and strengthening the cultural industry of the Group. We enhanced the expansion capabilities of the direct marketing and planning business and improved the efficiency of the channel business. We established an incentive mechanism that adapted to the market and strengthened the management and control over account receivables.

3. Operation of Taiping Interchange assets

The business of Taiping Interchange was affected by the Nansha Bridge and the traffic control of truck. The total traffic volume reached 18.630 million vehicles, representing a year-on-year decrease of 14.70%.

Material Logistics Segment

The Group continued to steadily perform the completion of material supply inventory businesses subject to controllable risks.

Management Discussion and Analysis

FINANCIAL REVIEW (THE CORRESPONDING PERIOD IN 2018 HAS BEEN RESTATED)

The Group's interim results for the six months ended 30 June 2019

For the six months ended 30 June 2019, operating income of the Group amounted to RMB3,163.963 million (the corresponding period in 2018: RMB3,183.477 million), representing a year-on-year decrease of RMB19.514 million or 1%. The year-on-year decrease in operating income was due to the decrease in income from material logistics business after the disposal of Guangdong South China Logistics Enterprise Company Limited and its subsidiaries (the "**South China Logistics Enterprise Group**"), but the income from travel services increased as a result of an expanded scale of the energy business and other business, partly compensating for the decrease in income from the material logistics business. Gross profit amounted to RMB602.066 million (the corresponding period in 2018: RMB587.128 million), representing a year-on-year increase of RMB14.938 million or 3%.

For the six months ended 30 June 2019, the Group realized net profit of RMB234.205 million (the corresponding period in 2018: RMB224.833 million), representing a year-on-year increase of RMB9.372 million or 4%; net profit attributable to the shareholders of the Company (the "**Shareholders**") was RMB185.652 million (the corresponding period in 2018: 198.312 million), representing a year-on-year decrease of RMB12.660 million or a decrease of 6%; basic earnings per share was RMB0.23 (the corresponding period in 2018: RMB0.25 per share), representing a decrease of 6%. Such decrease was mainly due to the combined effect of the following factors: (i) expanded business scales in service zones and reclaimed road passenger transportation and auxiliary services for self-operation, resulting in a year-on-year increase in net profit attributable to the Shareholders; and (ii) the impact of traffic diversion of Nansha Bridge on the operation business of Taiping Interchange Assets and flow restriction of big trucks, resulting in a year-on-year decrease in net profit attributable to the Shareholders.

In accordance with the requirements under the CAS No.21 – Leases (revised) (the "**new leases standard**") issued by the MOF in 2018, the Group has applied the new leases standard since 1 January 2019, and adjusted the related accounting policies and restated the comparative information. In light of the retrospective adjustment made according to the new leases standard, the Group's net profit from January to June 2018 was reduced by RMB11,191,000, the year-end shareholders' equity of the Group for 2018 was reduced by RMB148,475,000 and the year-end total assets of the Group for 2018 was increased by RMB1,590,338,000. Particulars of changes in relevant standards are disclosed in page 101 of this report.

Management Discussion and Analysis

Operating income

Operating income of the Group for the first half of 2019 was mainly derived from travel services business segment. Operating income of the Group for the first half of 2019 amounted to RMB3,163.963 million (the corresponding period in 2018: RMB3,183.477 million), representing a year-on-year decrease of RMB19.514 million or 1%, which was mainly due to the impact of decrease in the income from the material logistics business after the disposal of the South China Logistics Enterprise Group, but the income from travel services increased as a result of an expanded scale of the energy business and other business, partly compensating for the impact of a decrease in income from the material logistics business.

Operating income by business segments:

| | As of 30 June 2019 | | As of 30 June 2018 | |
|--------------------|-------------------------|--------------------|------------------------|-------------|
| | RMB' 000 | Percentage | RMB' 000 (Restated) | Percentage |
| Travel services | 2,945,798 | 93% | 2,600,573 | 82% |
| Material logistics | 214,275 | 7% | 579,920 | 18% |
| Other business | 3,890 | 0% | 2,984 | 0% |
| Total | <u>3,163,963</u> | <u>100%</u> | <u>3,183,477</u> | <u>100%</u> |

1. Travel services segment

Travel services segment is the major source of the Group's operating income. Operating income of such business amounted to RMB2,945.798 million (the corresponding period in 2018: RMB2,600.573 million) for the first half of 2019, representing a year-on-year increase of RMB345.225 million, or approximately 13%, and accounting for approximately 93% (the corresponding period in 2018: 82%) of the Group's total operating income, of which:

- (1) Road passenger transportation and auxiliary services recorded operating income of RMB1,826.149 million (the corresponding period in 2018: RMB1,685.025 million) for the first half of 2019, representing a year-on-year increase of RMB141.124 million or approximately 8%, which was mainly due to reclamation of contracted vehicles for self-operation and operation optimization.

Management Discussion and Analysis

- (2) Service zones operation recorded operating income of RMB1,033.596 million (the corresponding period in 2018: RMB808.288 million) for the first half of 2019, representing a year-on-year increase of RMB225.308 million or approximately 28%, which was mainly due to a substantial increase in income from the energy business and merchant solicitation business. Among which:
- a) For energy business, the operating income amounted to RMB572.466 million (the corresponding period in 2018: RMB423.061 million) for the first half of 2019, representing a year-on-year increase of RMB149.405 million or approximately 35%, mainly from a year-on-year increase in the number of self-operated gas stations.
 - b) For convenience stores retail business, the operating income amounted to RMB256.039 million (the corresponding period in 2018: RMB227.110 million) for the first half of 2019, representing a year-on-year increase of RMB28.929 million or approximately 13%, mainly due to a year-on-year increase in the number of self-operated convenience stores.
 - c) For merchant solicitation business, the operating income amounted to RMB161.944 million (the corresponding period in 2018: RMB119.108 million) for the first half of 2019, representing a year-on-year increase of RMB42.836 million or approximately 36%, mainly due to the increased number of service zones and utilization rate of the merchant solicitation zone.
 - d) For advertising media business, the operating income amounted to approximately RMB43.147 million (the corresponding period in 2018: RMB39.009 million) for the first half of 2019, representing a year-on-year increase of RMB4.138 million or approximately 11%.
- (3) For operation of Taiping Interchange Assets, the operating income amounted to approximately RMB86.053 million (the corresponding period in 2018: RMB107.260 million) for the first half of 2019, representing a year-on-year decrease of RMB21.207 million or approximately 20%. The decrease was mainly attributable to the impact of Nansha Bridge and traffic control of big trucks.

2. Material logistics segment

Material logistics segment recorded operating income of RMB214.275 million (the corresponding period in 2018: RMB579.920 million) for the first half of 2019, representing a year-on-year decrease of RMB365.645 million, or approximately 63%, and accounting for approximately 7% (the corresponding period in 2018: 18%) of the Group's total operating income. The decrease in operating income was mainly due to the impact of the disposal of the South China Logistics Enterprise Group and the decrease in business volume.

Management Discussion and Analysis

Gross profit

Gross profit of the Group for the first half of 2019 amounted to RMB602.066 million (the corresponding period in 2018: RMB587.128 million), representing a year-on-year increase of RMB14.938 million or approximately 3%. Gross profit margin was 19.03% (the corresponding period in 2018: 18.44%).

Gross profit by business segments:

| | As of 30 June 2019 | | As of 30 June 2018 | |
|--------------------|--------------------|-------------|------------------------|------------|
| | RMB' 000 | Percentage | RMB' 000 (Restated) | Percentage |
| Travel services | 593,870 | 99% | 541,975 | 92% |
| Material logistics | 5,421 | 1% | 45,387 | 8% |
| Other business | 2,775 | 0% | (234) | (0%) |
| Total | 602,066 | 100% | 587,128 | 100% |

1. Travel Services Segment

The travel services segment recorded a gross profit of RMB593.870 million in the first half of 2019 (the corresponding period in 2018: RMB541.975 million), representing a year-on-year increase of RMB51.895 million or approximately 10%, and the gross profit margin was 20% (the corresponding period in 2018: 21%). The increase in gross profit was mainly due to the increase in revenue from road passenger transportation and auxiliary services as a result of the scale expansion in reclamation of contracted vehicles for self-operation and business of service zones operation.

- (1) Road passenger transportation and auxiliary services generated a gross profit of RMB307.592 million in the first half of 2019 (the corresponding period in 2018: RMB275.912 million), representing a year-on-year increase of RMB31.680 million, or approximately 11%. Gross profit margin was 17% (the corresponding period in 2018: 16%). The year-on-year increase in gross profit was mainly due to an increase of revenue from reclamation of contracted vehicles for self-operation and operation optimization.
- (2) The business of service zones operation recorded a gross profit of RMB214.412 million in the first half of 2019 (the corresponding period in 2018: RMB173.532 million), representing a year-on-year increase of RMB40.880 million or approximately 24%, and the gross profit margin was 21% (the corresponding period in 2018: 21%). The year-on-year increase in gross profit was mainly attributable to the growth of business scale, including:

Management Discussion and Analysis

- a) The energy business generated a gross profit of RMB82.591 million in the first half of 2019 (the corresponding period in 2018: RMB65.337 million), representing a year-on-year increase of RMB17.254 million or approximately 26%. The gross profit margin was 14% (the corresponding period in 2018: 15%). The year-on-year increase in the gross profit was mainly due to the increase in the number of self-operated gas stations. The gross profit margin from purchase and sale in the first half of 2019 was 22% (the corresponding period in 2018: 20%).
 - b) The convenience stores retail business generated a gross profit of RMB44.783 million in the first half of 2019 (the corresponding period in 2018: RMB44.462 million), representing a year-on-year increase of RMB321,000 or approximately 1%. The gross profit margin was 18% (the corresponding period in 2018: 20%).
 - c) The merchant solicitation business generated a gross profit of RMB64.041 million in the first half of 2019 (the corresponding period in 2018: RMB45.601 million), representing a year-on-year increase of RMB18.440 million or approximately 40%, and the gross profit margin was 40% (the corresponding period in 2018: 38%). The year-on-year increase in gross profit and gross profit margin was mainly due to the increase in operating income from merchant solicitation.
 - d) The advertising media business generated a gross profit of approximately RMB22.997 million in the first half of 2019 (the corresponding period in 2018: RMB18.132 million), representing a year-on-year increase of RMB4.865 million or approximately 27%. The gross profit margin was 53% (the corresponding period in 2018: 46%). The year-on-year increase in gross profit and gross profit margin was mainly due to an increase in revenue as a result of the increase in advertisement resources.
- (3) The operation business of Taiping Interchange Assets generated a gross profit of RMB71.866 million in the first half of 2019 (the corresponding period in 2018: RMB92.531 million), representing a year-on-year decrease of RMB20.665 million or approximately 22%. The gross profit margin was 84% (the corresponding period in 2018: 86%), which was mainly due to the decrease in income as a result of the traffic diversion of Nansha Bridge and traffic control of big trucks.

2. Material logistics segment

The material logistics segment generated a gross profit of RMB5.421 million in the first half of 2019 (the corresponding period in 2018: RMB45.387 million), representing a year-on-year decrease of RMB39.966 million or approximately 88%. The gross profit margin in the first half of 2019 was 3% (the corresponding period in 2018: 8%). The year-on-year decrease in gross profit and gross profit margin was mainly due to the disposal of the South China Logistics Enterprise Group and a decrease in business volume.

Management Discussion and Analysis

Taxes and surcharges

In the first half of 2019, taxes and surcharges amounted to RMB20.215 million (the corresponding period in 2018: RMB22.347 million), representing a year-on-year decrease of RMB2.132 million or approximately 10%.

Selling and distribution expenses

In the first half of 2019, selling and distribution expenses of the Group amounted to RMB34.191 million (the corresponding period in 2018: RMB30.238 million), representing a year-on-year increase of RMB3.953 million or approximately 13%, which was mainly attributable to an expanded scale of the selling and distribution businesses in the service zones.

General and administrative expenses, and research and development expenses

In the first half of 2019, the Group incurred general and administrative expenses, and research and development expenses of RMB327.300 million (the corresponding period in 2018: RMB324.781 million), representing a year-on-year increase of RMB2.519 million or approximately 1%.

Finance expenses

In the first half of 2019, finance expenses amounted to RMB87.789 million (the corresponding period in 2018: RMB75.461 million), representing a year-on-year increase of RMB12.328 million or approximately 16%, which was mainly due to an increase of RMB249 million in the closing balance of debts bearing interest as compared to the corresponding period of last year.

Impairment losses of assets

Impairment losses of assets in the first half of 2019 was RMB0.891 million (the corresponding period in 2018: RMB3.049 million), representing a year-on-year decrease of RMB2.158 million or approximately 71%, which was mainly due to the decrease in impairment of the long-term assets of the Group during the period.

Reversal/(accrual) of credit losses

Credit impairment losses in the first half of 2019 was RMB5.664 million (the corresponding period in 2018: reversal of credit losses of RMB47.966 million), representing a year-on-year net decrease of RMB53.630 million or 112% in reversal of credit losses, which was mainly due to the year-on-year decrease in amount in respect of credit impairment losses provided previously being recovered by the Group for the period.

Management Discussion and Analysis

Other income

Other income derived in the first half of 2019 amounted to RMB163.770 million (the corresponding period in 2018: RMB105.841 million), representing a year-on-year increase of RMB57.929 million or approximately 55%, which was mainly due to the recognition of subsidies for operation of new energy vehicles and bus lines from Central Government for the period, contributing a year-on-year increase.

Investment income

Investment income derived in the first half of 2019 amounted to RMB18.252 million (the corresponding period in 2018: RMB22.394 million), representing a year-on-year decrease of RMB4.142 million or approximately 18%, which was mainly due to the impact of a year-on-year decrease in the net profit for the period from the associate of the Company, Southern United Assets & Equity Exchange Co., Ltd. (南方聯合產權交易中心有限責任公司).

Gains on disposal of assets

Gains on disposal of assets in the first half of 2019 amounted to RMB3.143 million (the corresponding period in 2018: RMB0.308 million), representing a year-on-year increase of RMB2.835 million or approximately 920%, which was mainly the impact of a year-on-year increase in disposal of fixed assets for the period.

Non-operating income and expenditure

The net amount of non-operating income and expenditure in the first half of 2019 incurred a net expenditure of RMB0.360 million (the corresponding period in 2018: net expenditure of RMB1.299 million), representing a year-on-year decrease in net expenditure of RMB0.939 million or approximately 72%.

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group fully leveraged on the beneficial rate environment of bond market to optimize financial structure and lower overall financial cost through comparatively low cost financial channels such as issuance of corporate bond. The Group enhanced capital allocation through the operation of cash pooling, in order to effectively reduce the need for external borrowings and increase the efficiency of capital utilization. In the first half of 2019, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB4,111.452 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

Management Discussion and Analysis

| Items | 30 June | 31 December |
|--|-------------------|------------------------|
| | 2019 | 2018 |
| | RMB' 000 | RMB' 000 (Restated) |
| Borrowings (from banks and other financial institutions) | 2,083,072 | 2,006,365 |
| Less: Cash and cash equivalents | 1,222,862 | 1,114,272 |
| Net debt | 860,210 | 892,093 |
| Total liabilities | 6,894,439 | 6,661,558 |
| Total shareholder's equity | 3,468,661 | 3,385,089 |
| Total equity | 4,328,871 | 4,277,182 |
| Total assets | 10,363,100 | 10,046,646 |
| Gearing ratio | 19.87% | 21.10% |
| Asset to liability ratio | 66.53% | 66.31% |

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total Shareholder's equity

Asset to liability ratio = Total liabilities/Total assets

Cash flows

In the first half of 2019, the Group satisfied its requirement for payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term liabilities with low interest rates. In the first half of 2019, cash and cash equivalents of the Group were mainly denominated in RMB. Cash and cash equivalents (after excluding the effect of exchange rate movement) were as follows:

| Cash generated from/(used in) | As of June 30 | | Change |
|-------------------------------|------------------|------------------------|----------|
| | 2019 | 2018 | |
| | RMB' 000 | RMB' 000 (Restated) | RMB' 000 |
| Operating activities | 688,867 | 5,639 | 683,228 |
| Investing activities | (480,341) | (585,916) | 105,575 |
| Financing activities | (100,450) | (38,865) | (61,585) |

Management Discussion and Analysis

Operating activities

In the first half of 2019, the Group's net inflow from operating activities amounted to RMB688.867 million (the corresponding period in 2018: net inflow of RMB5.639 million). A year-on-year increase of RMB683.228 million in the net inflow was mainly attributable to enhanced capital recovery for travel services business and less prepayments for materials business as a result of the disposal of the South China Logistics Enterprise Group in the period.

Investing activities

In the first half of 2019, the net cash outflow from investing activities was RMB480.341 million (the corresponding period in 2018: net cash outflow of RMB585.916 million), representing a decrease in net outflow of RMB105.575 million, which was mainly attributable to a year-on-year decrease in payment for business combinations involving enterprises under common control and a net decrease in cash resulting from asset swap.

Financing activities

In the first half of 2019, the net cash outflow from financing activities was RMB100.450 million (the corresponding period in 2018: net outflow of RMB38.865 million), representing an increase in net outflow of RMB61.585 million, which was mainly attributable to a year-on-year increase in payment for dividend and profit distributions or interest and lease liability principle and interest, and a year-on-year decrease in proceeds from investors.

Borrowings

As of 30 June 2019, outstanding borrowings of the Group was RMB2,083.072 million (31 December 2018: RMB2,006.365 million), comprising (i) unsecured short-term loans of RMB72.000 million (31 December 2018: RMB80.000 million); (ii) secured or pledged short-term loans of RMB94.800 million (31 December 2018: RMB29.800 million); (iii) unsecured long-term loans of RMB735.017 million (31 December 2018: RMB693.237 million); (iv) secured long-term loans of RMB259.016 million (31 December 2018: RMB252.659 million); (v) finance lease payables of RMB185.305 million (31 December 2018: 214.330 million); and (vi) bonds payable of RMB736.934 million (31 December 2018: RMB736.340 million). As of 30 June 2019, 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 61%.

Material subsequent events

Nil.

Management Discussion and Analysis

Major acquisitions and establishment of new companies

Nil.

Major properties held for investment

| Name of property | Address | Usage | Types of lease |
|--|---|-----------------|---------------------------------|
| Hong Kong Plaza | Unit 13-14, 24/F and Unit 8-12, 31/F, Hong Kong Plaza, 188 Connaught Road West, Sai Wan, Hong Kong | Operating lease | Short-term (within 10 years) |
| Zijin Old Station — Main Building, Clock Tower, Office of Canteen | No. 99, Jinshan Boulevard Central, Zijin County, the PRC | Operating lease | Short-term (within 10 years) |
| No. 1-2 office, 1/F, 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, | Operating lease | Short-term (within 10 years) |
| Apartment for Drivers | Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City | Operating lease | Short-term (within 10 years) |
| Passenger Traffic Center Building in Lianzhou | No. 136, Beihu Road, Lianzhou | Operating lease | Short-term (within 10 years) |
| Complex Building of Vehicle Passenger Terminal in Danxia Mountain | Complex Building of Vehicle Passenger Terminal in Danxia Mountain | Operating lease | Short-term (within 10 years) |

Management Discussion and Analysis

Pledge of assets

As at 30 June 2019, fixed assets at the net value of approximately RMB184.567 million (31 December 2018: RMB183.373 million), land use rights at the net value of RMB160.601 million (31 December 2018: RMB172.322 million) and investment properties at the net value of RMB21.214 million (31 December 2018: RMB21.607 million) of the Group were pledged as security for borrowings of the Group. As at 30 June 2019, transportation vehicles at the value of approximately RMB160.227 million (31 December 2018: RMB180.657 million) of the Group were pledged as security for lease of the Group.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2019, the working capital and liquidity of the Group were slightly affected by the fluctuations in foreign exchange rate. The directors of the Company (the "Directors") believe that the Group will have sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

As of 30 June 2019, the Group had no material contingent liabilities.

Other Information

SHARE CAPITAL

As at 30 June 2019, there were a total of 799,847,800 ordinary shares of the Company in issue, over 25% of which were held by the public. The public float satisfied the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). So far as it was known to the Directors, as of 30 June 2019, the controlling shareholders and the actual controller of the Company remained unchanged.

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

As at 30 June 2019, GCGC directly held 592,847,800 domestic Shares, representing 100% of the issued domestic Shares and approximately 74.12% of the total issued share capital of the Company.

GCGC is a controlling shareholder of the Company. Its legal representative is Deng Xiaohua and its registered capital as at 30 June 2019 was RMB26.8 billion. It is principally engaged in investment, construction and management of the expressways in the Guangdong Province, as well as logistics and transportation business.

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

As at 30 June 2019, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following persons (other than the Directors, the supervisors (the “**Supervisors**”) and the chief executive of the Company) had 5% or more interests in the Shares and underlying Shares (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) as recorded in the register required to be kept by the Company under section 336 of the SFO:

Other Information

| Name of Shareholder | Class of Shares | Number of Shares/ underlying Shares held (Note 1) | Capacity | Approximate percentage in the relevant class of share capital | Approximate percentage in total share capital |
|--|-----------------|---|--------------------------------------|---|---|
| GCGC | Domestic Shares | 592,847,800 | Beneficial owner | 100% | 74.12% |
| China Petrochemical Corporation | H Shares | 33,570,000 (Note 2) | Interests of controlled corporations | 16.22% | 4.20% |
| China Petroleum & Chemical Corporation | H Shares | 33,570,000 (Note 2) | Interests of controlled corporations | 16.22% | 4.20% |
| Sinopec Sales Company Limited | H Shares | 33,570,000 (Note 2) | Interests of controlled corporations | 16.22% | 4.20% |
| Sinopec (Hong Kong) Limited | H Shares | 33,570,000 (Note 2) | Beneficial owner | 16.22% | 4.20% |
| Pope Asset Management, LLC | H Shares | 30,194,144 | Investment manager | 14.59% | 3.77% |
| Shah Capital Management | H Shares | 18,025,000 | Investment manager | 8.71% | 2.25% |

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

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

Save as disclosed above, as at 30 June 2019, the Company was not aware of any other interests or short positions in the shares or underlying shares of the Company that are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Other Information

CHANGES IN SHARES

There is no change in shares of the Company for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

The Company did not redeem any of its listed shares nor did the Company or any of its subsidiaries purchase or sell any of such shares during the six months ended 30 June 2019.

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

As at 30 June 2019, the interests (or long positions) and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

| Name | Name of Director/ Supervisor | Capacity | Number of shares held | Approximate percentage in the relevant class of share capital |
|--|---------------------------------|---------------------|--------------------------|---|
| Guangdong Yueyun Transportation Company Limited | Zhang Xian | Beneficial owner | 10,000 | 0.0005% |

Except as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executive of the Company had any interests in any shares or underlying shares or debentures of the Company.

Other Information

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

| Name of associated corporation | Name of Director/ Supervisor | Capacity | Number of shares held | Approximate percentage in the relevant class of share capital |
|---|---------------------------------|---------------------|--------------------------|---|
| Guangdong Provincial Expressway Development Co. Ltd. | Chen Chuxuan | Beneficial owner | 5,987 | 0.00046% |
| Guangdong Provincial Expressway Development Co. Ltd. | Zhen Jianhui | Beneficial owner | 9,209 | 0.00071% |

Except as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

For the six months ended 30 June 2019, the Company had complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Other Information

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the supervisors of the Company ("Supervisors"). Having made specific enquiry with all the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she had complied with the requirements set out in the Model Code for the six months ended 30 June 2019.

BOARD

As at 30 June 2019 and up to the date of this report, the Directors in office were as follows:

| Name | Date of appointment as a Director | Date of resignation as a Director |
|---|-----------------------------------|-----------------------------------|
| Executive Directors | | |
| 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. Wen Wu | 15 August 2018 | N/A |
| Mr. Zhang Xian | 22 July 2019 | N/A |
| Non-executive Directors | | |
| Mr. Li Bin | 18 December 2012 | 17 June 2019 |
| Mr. Chen Min | 7 June 2016 | N/A |
| Mr. Guo Junfa (Re-designated as a non-executive Director on 17 June 2019) | 18 December 2012 | 22 July 2019 |
| Mr. Chen Chuxuan | 17 June 2019 | N/A |
| Independent Non-executive Directors | | |
| 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 |

On 17 June 2019, Mr. Li Bin retired as a non-executive Director, Mr. Guo Junfa was re-designated as a non-executive Director, and the shareholders of the Company (the "Shareholders") appointed Mr. Chen Chuxuan as a non-executive Director at the annual general meeting ("AGM") of the Company held on 17 June 2019. For details, please refer to the announcements of the Company dated 18 April 2019 and 17 June 2019 and the circular dated 30 April 2019, respectively.

On 22 July 2019, Mr. Guo Junfa resigned as a non-executive Director, and the Shareholders appointed Mr. Zhang Xian as an executive Director at the extraordinary general meeting of the Company held on 22 July 2019. For details, please refer to the announcements of the Company dated 2 July 2019 and 22 July 2019 and the supplemental circular dated 5 July 2019, respectively.

CHANGES IN DIRECTORS AND SUPERVISORS' PARTICULARS

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

1. Ms. Lu Zhenghua, an independent non-executive Director, was appointed as an independent non-executive director of Guangzhou Super-Dragon Engineering Plastic Co., Ltd. (廣州市聚賽龍工程塑料股份有限公司) (NEEQ: 839141) in February 2019;
2. Ms. Li Xiangrong, an employee representative Supervisor, was appointed as the deputy chief economist of the Group in April 2019;
3. Mr. Xuan Zongmin, an executive Director, was appointed as an executive member of the 6th council of China Road Transport Association (中國道路運輸協會第六屆常務理事) in June 2019.

REVIEW BY AUDIT & CORPORATE GOVERNANCE COMMITTEES

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

The primary duties of the Audit & Corporate Governance Committee are, among other things, to appoint external auditors, review and supervise the financial reporting process, review interim and annual results, review and supervise the internal control system and risk management of the Group, and provide advice and comments to the Board and monitor the corporate governance of the Company. As at 30 June 2019, the Audit & Corporate Governance Committee comprised three members, namely Ms. Lu Zhenghua (Chairman) and Mr. Jin Wenzhou, two independent non-executive Directors, and Mr. Chen Chuxuan, a non-executive Director. The Audit & Corporate Governance Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2019 and recommended its adoption by the Board. The independent auditor of the Company, KPMG Huazhen LLP, has also reviewed the unaudited interim financial report for the six months ended 30 June 2019 in accordance with Chinese Standards on Review No. 2101- Engagements to Review Financial Statements issued by the Chinese Institute of Certified Public Accountants.

Other Information

SUPERVISORY COMMITTEE

As at 30 June 2019 and up to the date of this report, the Supervisory Committee comprised 7 Supervisors, and the Supervisors in office were as follows:

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

EMPLOYEES AND REMUNERATION POLICIES

The Group had 23,080 employees as at 30 June 2019 (31 December 2018: 22,569). Total staff costs for the six months ended 30 June 2019, including the Directors' remuneration, amounted to approximately RMB968 million (the corresponding period in 2018: approximately RMB887 million).

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

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

TRAINING OF EMPLOYEES

The Group has always attached great importance to the training and development of human resources, and made endeavor to provide training and education to employees at all levels. The Group has faithfully implemented budgeted standard for training expenses and its implementation plan. As of 30 June 2019, the Group has conducted a total of 577 training courses (excluding network training courses) with 17,200 participants and total curriculum duration of approximately 10,755 hours. Among them, 68 management skills training courses (accounting for 12% of the total number of the training courses), 120 general skills training courses (accounting for 21% of the total number of the training courses), 354 professional skills training courses (accounting for 62% of the total number of the training courses) and 35 other skills training courses (accounting for 5% of the total number of the training courses) were held. Self-evaluation on the internal and external trainings by the participants showed that overall satisfaction rate was above 95% or a level of satisfactory was attained.

DIVIDEND

The Board has not declared the payment of an interim dividend for the six months ended 30 June 2019.

On 13 March 2019, the Board recommended the payment of a final cash dividend of RMB0.17 per share (before tax) for the year 2018. Such proposal was approved by the Shareholders at the AGM. The final dividend was paid on 21 August 2019 to Shareholders whose names appear on the Company's share register of members at 4:30 p.m. on 26 June 2019. For details, please refer to the announcements of the Company dated 13 March 2019 and 17 June 2019, respectively and the 2018 annual report of the Company published on 30 April 2019 by the Company.

AUDITOR OF THE COMPANY

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

MATERIAL LITIGATION AND ARBITRATION

As of the date of this report, the Company was involved the following material litigation:

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

Review Report

畢馬威華振專字第1900942号

All Shareholders of Guangdong Yueyun Transportation Company Limited:

We have reviewed the accompanying interim financial report of Guangdong Yueyun Transportation Company Limited ("Yueyun Transportation"), which comprises the consolidated and company balance sheets as at 30 June 2019, and the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the six months period then ended and notes to the interim financial report. Yueyun Transportation's management is responsible for preparing the interim financial report in accordance with "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting", issued by the Ministry of Finance of the People's Republic of China. Our responsibility is to issue a report on the interim financial report based on our review.

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

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

KPMG Huazhen LLP

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

Xu Min

Beijing, China

Liang Xinghua
19 August 2019

Consolidated balance sheet (unaudited)

as at 30 June 2019

(Expressed in Renminbi Yuan)

| | Note V | As at 30 June 2019 | As at 31 December 2018 (Restated) | As at 1 January 2018 (Restated) |
|---|--------|--------------------------|---|---------------------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash at bank and on hand | | 1,240,082,384.11 | 1,143,157,699.63 | 1,876,354,128.50 |
| Bills receivable | | 536,544.00 | 310,802.08 | 36,505,607.26 |
| Accounts receivable | 1 | 483,789,122.60 | 426,222,382.00 | 837,980,469.99 |
| Prepayments | | 209,357,177.53 | 222,312,580.62 | 322,606,973.48 |
| Other receivables | | 538,367,087.65 | 453,775,869.01 | 411,818,958.72 |
| Inventories | | 91,454,495.81 | 106,939,985.13 | 190,235,150.79 |
| Non-current assets due within one year | | 1,443,009.93 | 2,140,743.97 | 31,874,195.35 |
| Other current assets | | 40,409,352.06 | 60,846,815.21 | 35,531,593.57 |
| Total current assets | | 2,605,439,173.69 | 2,415,706,877.65 | 3,742,907,077.66 |
| Non-current assets | | | | |
| Long-term receivables | | 1,891,222.11 | 5,946,238.22 | 7,030,155.67 |
| Long-term equity investments | | 401,981,958.69 | 381,990,308.58 | 332,013,785.00 |
| Investments in other equity instruments | 2 | 1,217,588.22 | 1,217,588.22 | 563,228.22 |
| Investment properties | | 110,428,103.70 | 118,809,826.85 | 180,291,731.04 |
| Fixed assets | 3 | 3,042,390,130.61 | 2,763,675,916.53 | 2,550,000,887.54 |
| Construction in progress | | 567,907,784.88 | 709,268,163.04 | 316,762,995.42 |
| Right-of-use assets | 25 | 1,835,897,144.79 | 1,902,086,097.35 | 1,678,863,130.14 |
| Intangible assets | 4 | 1,061,516,913.66 | 1,060,822,345.19 | 1,128,291,589.11 |
| Goodwill | | 104,166,326.02 | 104,166,326.02 | 104,166,326.02 |
| Long-term deferred expenses | | 99,097,645.52 | 93,418,686.31 | 49,115,649.79 |
| Deferred tax assets | | 253,406,892.01 | 242,602,345.03 | 256,914,325.25 |
| Other non-current assets | | 277,759,107.28 | 246,935,701.65 | 241,883,140.90 |
| Total non-current assets | | 7,757,660,817.49 | 7,630,939,542.99 | 6,845,896,944.10 |
| Total assets | | 10,363,099,991.18 | 10,046,646,420.64 | 10,588,804,021.76 |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated balance sheet (unaudited)

as at 30 June 2019

(Expressed in Renminbi Yuan)

| | Note V | As at 30 June 2019 | As at 31 December 2018 (Restated) | As at 1 January 2018 (Restated) |
|--|--------|-------------------------|---|---------------------------------------|
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Short-term loans | 5 | 166,800,000.00 | 109,800,000.00 | 217,806,642.67 |
| Bills payable | | 30,443,784.00 | 12,944,770.00 | 787,530,251.25 |
| Accounts payable | 6 | 707,676,621.07 | 785,953,601.19 | 833,670,350.03 |
| Advances from customers | | 126,215,774.33 | 123,093,399.15 | 138,115,894.24 |
| Contract liabilities | | 42,100,210.47 | 40,781,584.69 | 58,385,230.80 |
| Employee benefits payable | | 178,313,777.79 | 172,099,984.53 | 188,163,521.91 |
| Taxes payable | | 102,102,534.09 | 91,056,056.87 | 174,924,497.04 |
| Other payables | | 882,993,815.57 | 732,675,635.19 | 696,811,970.82 |
| Non-current liabilities due within one year | 7 | 446,591,748.67 | 412,432,246.82 | 234,379,452.04 |
| Total current liabilities | | 2,683,238,265.99 | 2,480,837,278.44 | 3,329,787,810.80 |
| Non-current liabilities | | | | |
| Long-term loans | 8 | 737,185,696.74 | 771,403,711.60 | 558,075,133.02 |
| Bonds payable | 9 | 736,934,135.17 | 736,339,628.81 | 775,310,816.19 |
| Lease liabilities | 25 | 1,776,265,808.28 | 1,847,447,781.79 | 1,610,306,451.87 |
| Long-term payables | | 227,347,071.41 | 119,721,290.95 | 34,843,075.91 |
| Long-term employee benefits payable | | 157,335,747.44 | 163,746,337.18 | 181,270,744.39 |
| Provisions | | - | 428,464.61 | 1,646,679.43 |
| Deferred income | | 518,315,932.37 | 489,864,404.78 | 520,711,271.94 |
| Deferred tax liabilities | | 57,816,153.55 | 51,768,940.47 | 28,447,231.25 |
| Total non-current liabilities | | 4,211,200,544.96 | 4,180,720,560.19 | 3,710,611,404.00 |
| Total liabilities | | 6,894,438,810.95 | 6,661,557,838.63 | 7,040,399,214.80 |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated balance sheet (unaudited)

as at 30 June 2019

(Expressed in Renminbi Yuan)

| | Note V | As at 30 June 2019 | As at 31 December 2018 (Restated) | As at 1 January 2018 (Restated) |
|---|--------|--------------------------|---|---------------------------------------|
| Liabilities and shareholders' equity (continued) | | | | |
| Shareholders' equity | | | | |
| Share capital | | 799,847,800.00 | 799,847,800.00 | 799,847,800.00 |
| Capital reserve | | 18,800,491.50 | 18,800,491.50 | 215,513,875.00 |
| Other comprehensive income | | (22,490,062.32) | (23,237,976.16) | (34,424,759.18) |
| Special reserve | | 27,656,935.17 | 27,547,836.20 | 34,202,615.37 |
| Surplus reserve | | 192,696,148.28 | 193,639,642.56 | 186,668,434.59 |
| Retained earnings | 10 | 1,276,069,167.09 | 1,226,390,895.15 | 1,153,257,858.61 |
| Equity attributable to shareholders of the Company | | 2,292,580,479.72 | 2,242,988,689.25 | 2,355,065,824.39 |
| Non-controlling interests | | 1,176,080,700.51 | 1,142,099,892.76 | 1,193,338,982.57 |
| Total shareholders' equity | | 3,468,661,180.23 | 3,385,088,582.01 | 3,548,404,806.96 |
| Total liabilities and shareholders' equity | | 10,363,099,991.18 | 10,046,646,420.64 | 10,588,804,021.76 |

This interim financial report was approved by the Board of Directors of the Company on 19 August 2019.

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

The notes on pages 59 to 176 form part of this interim financial report.

Company balance sheet (unaudited)

as at 30 June 2019

(Expressed in Renminbi Yuan)

| | Note V | As at 30 June 2019 | As at 31 December 2018 (Restated) | As at 1 January 2018 (Restated) |
|---|--------|-------------------------|---|---------------------------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash at bank and on hand | | 767,265,708.22 | 622,984,930.41 | 929,531,026.45 |
| Accounts receivable | 1 | 151,724,606.80 | 194,620,429.69 | 386,465,754.68 |
| Prepayments | | 14,739,968.16 | 7,023,340.06 | 117,397,303.85 |
| Other receivables | | 162,596,480.70 | 101,974,256.21 | 683,483,735.32 |
| Inventories | | 198,201.66 | 301,983.43 | 14,650,695.09 |
| Other current assets | | 1,919,664.08 | - | - |
| Total current assets | | 1,098,444,629.62 | 926,904,939.80 | 2,131,528,515.39 |
| Non-current assets | | | | |
| Long-term equity investments | | 1,723,486,285.59 | 1,711,771,832.17 | 1,233,022,067.92 |
| Investments in other equity instruments | 2 | 1,377,412.45 | 1,377,412.45 | 777,412.45 |
| Fixed assets | 3 | 8,687,438.90 | 7,257,105.82 | 5,965,415.37 |
| Construction in progress | | 3,626,995.34 | 2,708,095.26 | - |
| Right-of-use assets | 25 | 7,805,673.64 | 11,999,945.44 | 19,781,547.33 |
| Intangible assets | 4 | 99,751,089.37 | 108,509,941.71 | 114,803,847.21 |
| Long-term deferred expenses | | 365,085.00 | 765,892.42 | 2,567,406.77 |
| Deferred tax assets | | 139,795,400.91 | 143,104,474.93 | 149,703,969.79 |
| Other non-current assets | | - | 199,600.00 | - |
| Total non-current assets | | 1,984,895,381.20 | 1,987,694,300.20 | 1,526,621,666.84 |
| Total assets | | 3,083,340,010.82 | 2,914,599,240.00 | 3,658,150,182.23 |

The notes on pages 59 to 176 form part of this interim financial report.

Company balance sheet (unaudited)

as at 30 June 2019

(Expressed in Renminbi Yuan)

| | Note V | As at 30 June 2019 | As at 31 December 2018 (Restated) | As at 1 January 2018 (Restated) |
|---|--------|-------------------------|---|---------------------------------------|
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Short-term loans | 5 | 40,000,000.00 | 40,000,000.00 | - |
| Bills payable | | 28,410,000.00 | - | 473,950,000.00 |
| Accounts payable | 6 | 34,466,835.23 | 48,526,535.39 | 104,244,244.00 |
| Contract liabilities | | 29,187,226.44 | 28,770,335.75 | 16,031,962.28 |
| Employee benefits payable | | 19,089,969.07 | 18,111,647.37 | 21,618,087.89 |
| Taxes payable | | 5,351,693.07 | 13,558,047.95 | 31,058,166.09 |
| Other payables | | 821,593,114.36 | 563,410,736.74 | 767,043,723.88 |
| Non-current liabilities due within one year | 7 | 4,239,776.18 | 8,285,468.07 | 7,843,764.53 |
| Total current liabilities | | 982,338,614.35 | 720,662,771.27 | 1,421,789,948.67 |
| Non-current liabilities | | | | |
| Bonds payable | 9 | 736,934,135.17 | 736,339,628.81 | 775,310,816.19 |
| Lease liabilities | 25 | 2,000,054.26 | 1,940,778.90 | 10,226,246.98 |
| Total non-current liabilities | | 738,934,189.43 | 738,280,407.71 | 785,537,063.17 |
| Total liabilities | | 1,721,272,803.78 | 1,458,943,178.98 | 2,207,327,011.84 |

The notes on pages 59 to 176 form part of this interim financial report.

Company balance sheet (unaudited)

as at 30 June 2019

(Expressed in Renminbi Yuan)

| | Note V | As at 30 June 2019 | As at 31 December 2018 (Restated) | As at 1 January 2018 (Restated) |
|---|--------|-------------------------|---|---------------------------------------|
| Liabilities and shareholders' equity (continued) | | | | |
| Shareholders' equity | | | | |
| Share capital | | 799,847,800.00 | 799,847,800.00 | 799,847,800.00 |
| Capital reserve | | 210,546,645.59 | 210,546,645.59 | 246,020,107.11 |
| Special reserve | | 57,799.92 | - | - |
| Surplus reserve | | 191,938,695.80 | 191,938,695.80 | 175,137,881.43 |
| Retained earnings | 10 | 159,676,265.73 | 253,322,919.63 | 229,817,381.85 |
| Total shareholders' equity | | 1,362,067,207.04 | 1,455,656,061.02 | 1,450,823,170.39 |
| Total liabilities and shareholders' equity | | 3,083,340,010.82 | 2,914,599,240.00 | 3,658,150,182.23 |

This interim financial report was approved by the Board of Directors of the Company on 19 August 2019.

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

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated income statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|--|--------|----------------------------------|--------------------|
| | Note V | 2019 | 2018 (Restated) |
| I. Operating income | | 3,163,962,846.12 | 3,183,476,580.93 |
| Less: Operating costs | | 2,561,897,578.81 | 2,596,349,267.93 |
| Taxes and surcharges | | 20,215,411.08 | 22,347,398.47 |
| Selling and distribution expenses | | 34,191,425.37 | 30,237,807.58 |
| General and administrative expenses | | 327,300,494.06 | 324,233,014.88 |
| Research and development expenses | | - | 548,365.55 |
| Financial expenses | 11 | 87,789,235.35 | 75,461,209.05 |
| Including: Interest expenses | | 39,266,142.28 | 31,766,878.18 |
| Interest income | | 8,316,437.69 | 10,756,159.67 |
| Impairment losses | 12 | 890,780.00 | 3,049,432.24 |
| Accrual/(reversal) of credit losses | 13 | 5,663,737.89 | (47,965,656.73) |
| Add: Other income | 14 | 163,770,273.49 | 105,841,343.47 |
| Investment income | 15 | 18,252,363.48 | 22,393,778.74 |
| Including: Income from investments in associates and joint ventures | | 18,781,071.17 | 22,616,451.30 |
| Gains from asset disposals | 16 | 3,143,405.50 | 307,747.06 |
| II. Operating profit | | 311,180,226.03 | 307,758,611.23 |
| Add: Non-operating income | 17 | 5,748,313.20 | 4,298,606.67 |
| Less: Non-operating expenses | | 6,108,457.95 | 5,597,529.91 |
| III. Profit before income tax | | 310,820,081.28 | 306,459,687.99 |
| Less: Income tax expenses | 18 | 76,615,503.51 | 81,627,093.17 |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated income statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | For the six months ended 30 June | |
|--|----------------------------------|-----------------------|
| | 2019 | 2018 (Restated) |
| IV. Net profit for the period | <u>234,204,577.77</u> | <u>224,832,594.82</u> |
| (1) Net profit classified by continuity of operations | | |
| 1. Net profit from continuing operations | 234,204,577.77 | 224,832,594.82 |
| 2. Net profit from discontinued operations | <u>-</u> | <u>-</u> |
| (2) Net profit classified by ownership | | |
| 1. Non-controlling interests | 48,552,179.83 | 26,520,299.52 |
| 2. Shareholders of the Company | <u>185,652,397.94</u> | <u>198,312,295.30</u> |
| V. Other comprehensive income, net of tax | | |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | 747,913.84 | 1,362,564.69 |
| (1) Items that will not be reclassified to profit or loss: | | |
| 1. Remeasurement of defined benefit plan | (409,356.42) | (308,723.92) |
| 2. Changes in fair value of investments in other equity instruments | <u>-</u> | <u>(102,484.19)</u> |
| (2) Items that may be reclassified to profit or loss: | | |
| 1. Translation differences arising from translation of foreign currency financial statements | 1,157,270.26 | 1,773,772.80 |
| Other comprehensive income (net of tax) attributable to non-controlling interests | <u>609,473.25</u> | <u>711,727.41</u> |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated income statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

For the six months ended 30 June

| | Note V | 2019 | 2018 (Restated) |
|--|--------|------------------------------|-----------------------|
| VI. Total comprehensive income for the period | | <u>235,561,964.86</u> | <u>226,906,886.92</u> |
| Attributable to: | | | |
| Shareholders of the Company | | <u>186,400,311.78</u> | 199,674,859.99 |
| Non-controlling interests | | <u>49,161,653.08</u> | <u>27,232,026.93</u> |
| VII. Earnings per share | | | |
| (I) Basic earnings per share | 20 | <u>0.23</u> | 0.25 |
| (II) Diluted earnings per share | 20 | <u>0.23</u> | <u>0.25</u> |

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

This interim financial report was approved by the Board of Directors of the Company on 19 August 2019.

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

The notes on pages 59 to 176 form part of this interim financial report.

Company income statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|--|--------|----------------------------------|--------------------|
| | Note V | 2019 | 2018 (Restated) |
| I. Operating income | | 304,355,406.72 | 379,807,319.35 |
| Less: Operating costs | | 223,454,435.49 | 257,495,026.74 |
| Taxes and surcharges | | 407,506.89 | (406,002.74) |
| Selling and distribution expenses | | 153,956.07 | 167,500.89 |
| General and administrative expenses | | 38,059,991.73 | 34,108,831.83 |
| Financial expenses | 11 | 12,693,808.22 | 6,544,035.41 |
| Including: Interest expenses | | 17,304,656.81 | 17,218,644.81 |
| Interest income | | 5,252,833.11 | 9,338,514.41 |
| Reversal of credit losses | 13 | (5,405,004.26) | (22,050,779.46) |
| Add: Investment income | 15 | 20,040,653.42 | 13,096,117.02 |
| Including: Income from investments in associates and joint ventures | | 5,859,953.42 | 13,096,117.02 |
| II. Operating profit | | 55,031,366.00 | 117,044,823.70 |
| Add: Non-operating income | 17 | 1,187,221.53 | 0.84 |
| Less: Non-operating expenses | | 2,799,833.65 | - |
| III. Profit before income tax | | 53,418,753.88 | 117,044,824.54 |
| Less: Income tax expenses | 18 | 11,091,281.78 | 26,529,715.58 |

The notes on pages 59 to 176 form part of this interim financial report.

Company income statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------|
| | 2019 | 2018 (Restated) |
| IV. Net profit for the period | 42,327,472.10 | 90,515,108.96 |
| Net profit classified by continuity of operations | | |
| 1. Net profit from continuing operations | 42,327,472.10 | 90,515,108.96 |
| 2. Net profit from discontinued operations | - | - |
| V. Other comprehensive income, net of tax | - | - |
| VI. Total comprehensive income of the period | 42,327,472.10 | 90,515,108.96 |

This interim financial report was approved by the Board of Directors of the Company on 19 August 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 59 to 176 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|---|--------|----------------------------------|--------------------|
| | Note V | 2019 | 2018 (Restated) |
| I. Cash flows from operating activities: | | | |
| Proceeds from sale of goods and rendering of services | | 3,348,753,167.78 | 3,472,862,430.60 |
| Cash received from other operating activities | | 183,549,850.33 | 148,758,791.53 |
| | | 3,532,303,018.11 | 3,621,621,222.13 |
| Sub-total of cash inflows | | 3,532,303,018.11 | 3,621,621,222.13 |
| Payment for goods and services | | 1,616,935,492.02 | 2,358,177,072.01 |
| Payment to and for employees | | 971,375,408.64 | 935,453,134.81 |
| Payment of various taxes | | 160,787,308.31 | 208,733,385.82 |
| Payment relating to other operating activities | | 94,337,374.06 | 113,618,269.32 |
| | | 2,843,435,583.03 | 3,615,981,861.96 |
| Sub-total of cash outflows | | 2,843,435,583.03 | 3,615,981,861.96 |
| Net cash inflow from operating activities | 21(1) | 688,867,435.08 | 5,639,360.17 |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

For the six months ended 30 June

| | 2019 | 2018 (Restated) |
|---|-------------------------|--------------------|
| II. Cash flows from investing activities: | | |
| Cash received from investment | 1,800,000.00 | - |
| Investment returns received | 490,566.22 | 28,314,157.05 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | 17,908,287.87 | 7,461,131.20 |
| Proceeds from other investing activities | - | 3,527,923.99 |
| | <hr/> | <hr/> |
| Sub-total of cash inflows | 20,198,854.09 | 39,303,212.24 |
| | <hr/> | <hr/> |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 485,727,363.76 | 479,730,902.67 |
| Payment for acquisition of investments | 2,255,113.00 | 9,000,000.00 |
| Payment for business combinations involving enterprises under common control | - | 31,000,000.00 |
| Net payment for acquisition of subsidiaries | 9,099,772.30 | - |
| Reduction of cash as a result of loss of control over subsidiaries | 3,457,179.60 | - |
| Net decrease in cash resulting from asset swap | - | 105,488,801.47 |
| | <hr/> | <hr/> |
| Sub-total of cash outflows | 500,539,428.66 | 625,219,704.14 |
| | <hr/> | <hr/> |
| Net cash outflow from investing activities | (480,340,574.57) | (585,916,491.90) |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|---|---------------------------|----------------------------------|------------|
| Note V | 2019 | 2018 | (Restated) |
| III. Cash flows from financing activities: | | | |
| Proceeds from investors | - | 20,706,000.00 | |
| Proceeds from borrowings | 257,788,960.08 | 213,486,350.00 | |
| Cash received from other financing activities | 21(4) 1,051,385.41 | - | |
| Sub-total of cash inflows | 258,840,345.49 | 234,192,350.00 | |
| Repayments of borrowings | 152,652,252.15 | 101,588,149.01 | |
| Payment for profit distributions or interest | 57,597,172.71 | 42,407,413.73 | |
| Including: Dividends and profits paid to non-controlling shareholders of subsidiaries | 33,869,434.56 | 11,455,600.58 | |
| Payment relating to reduction of capital by non-controlling interests | 5,854,500.00 | - | |
| Payment for lease liability principal and interest | 143,186,032.14 | 128,228,721.84 | |
| Payment relating to other financing activities | 21(4) - | 832,597.78 | |
| Sub-total of cash outflows | 359,289,957.00 | 273,056,882.36 | |
| Net cash outflow from financing activities | (100,449,611.51) | (38,864,532.36) | |

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

For the six months ended 30 June

| | Note V | 2019 | 2018 (Restated) |
|---|--------|-------------------------|--------------------|
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | 513,066.59 | 1,698,980.86 |
| V. Net increase/(decrease) in cash and cash equivalents | 21(2) | 108,590,315.59 | (617,442,683.23) |
| Add: Cash and cash equivalents at the beginning of the period | | 1,114,271,816.51 | 1,857,779,421.60 |
| VI. Cash and cash equivalents at the end of the period | 21(3) | 1,222,862,132.10 | 1,240,336,738.37 |

This interim financial report was approved by the Board of Directors of the Company on 19 August 2019.

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

The notes on pages 59 to 176 form part of this interim financial report.

Company cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|---|--------|----------------------------------|--------------------|
| | Note V | 2019 | 2018 (Restated) |
| I. Cash flows from operating activities: | | | |
| Proceeds from sale of goods and rendering of services | | 385,828,280.93 | 625,157,177.14 |
| Proceeds from other operating activities | | 8,974,273.65 | 23,197,118.38 |
| | | 394,802,554.58 | 648,354,295.52 |
| Sub-total of cash inflows | | 394,802,554.58 | 648,354,295.52 |
| Payment for goods and services | | 239,496,534.14 | 753,732,939.92 |
| Payment to and for employees | | 20,263,810.01 | 20,489,531.03 |
| Payment of various taxes | | 18,867,602.64 | 35,038,762.60 |
| Payment relating to other operating activities | | 26,883,713.87 | 13,825,788.49 |
| | | 305,511,660.66 | 823,087,022.04 |
| Sub-total of cash outflows | | 305,511,660.66 | 823,087,022.04 |
| Net cash inflow/(outflow) from operating activities | 21(1) | 89,290,893.92 | (174,732,726.52) |

The notes on pages 59 to 176 form part of this interim financial report.

Company cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

For the six months ended 30 June

| | 2019 | 2018 (Restated) |
|--|---|---|
| II. Cash flows from investing activities: | | |
| Proceeds from asset swap | - | 28,380,000.00 |
| Investment returns received | 4,105,722.32 | 20,356,169.52 |
| Proceeds from disposal of fixed assets | 38,944.31 | - |
| | <hr/> | <hr/> |
| Sub-total of cash inflows | 4,144,666.63 | 48,736,169.52 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 5,420,061.70 | 8,829,946.20 |
| Payment for acquisition of investments | 5,854,500.00 | 18,780,000.00 |
| Payment relating to other investing activities | 50,000,000.00 | - |
| | <hr/> | <hr/> |
| Sub-total of cash outflows | 61,274,561.70 | 27,609,946.20 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net cash (outflow)/inflow from investing activities | (57,129,895.07) | 21,126,223.32 |

The notes on pages 59 to 176 form part of this interim financial report.

Company cash flow statement (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|---|--------|----------------------------------|--------------------|
| | Note V | 2019 | 2018 (Restated) |
| III. Cash flows from financing activities: | | | |
| Proceeds relating to other financing activities | 21(4) | 117,765,889.38 | - |
| Sub-total of cash inflow | | 117,765,889.38 | - |
| Payment for interest | | 1,508,150.43 | 1,259,642.85 |
| Payment for lease liability principal and interest | | 4,137,959.99 | 4,115,550.00 |
| Payment relating to other financing activities | 21(4) | - | 63,682,603.61 |
| Sub-total of cash outflows | | 5,646,110.42 | 69,057,796.46 |
| Net cash inflow/(outflow) from financing activities | | 112,119,778.96 | (69,057,796.46) |
| IV. Net increase/(decrease) in cash and cash equivalents | 21(2) | 144,280,777.81 | (222,664,299.66) |
| Add: Cash and cash equivalents at the beginning of the period | | 622,984,930.41 | 929,531,026.45 |
| V. Cash and cash equivalents at the end of the period | 21(3) | 767,265,708.22 | 706,866,726.79 |

This interim financial report was approved by the Board of Directors of the Company on 19 August 2019.

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

The notes on pages 59 to 176 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| Note | Attributable to shareholders of the Company | | | | | | | | | Total shareholders' equity |
|---|---|-----------------|----------------------------|-----------------|-----------------|------------------|-------------------|---------------------------|------------------|----------------------------|
| | Share capital | Capital reserve | Other comprehensive income | | Special reserve | Surplus reserve | Retained earnings | Non-controlling interests | Total | |
| | | | RMB | RMB | | | | | | |
| I. Balance as at 31 December 2018 | 799,847,800.00 | 18,800,491.50 | (23,217,197.24) | 27,547,836.20 | 193,639,642.56 | 1,365,334,887.44 | 2,381,953,460.46 | 1,151,610,624.84 | 3,533,564,085.30 | |
| Add: Changes in accounting policies | II.32 | - | - | (20,778.92) | - | - | (138,943,992.29) | (138,964,771.21) | (9,510,732.08) | (148,475,503.29) |
| II. Balance as at 1 January 2019 (Restated) | 799,847,800.00 | 18,800,491.50 | (23,237,976.16) | 27,547,836.20 | 193,639,642.56 | 1,226,390,895.15 | 2,242,988,689.25 | 1,142,099,892.76 | 3,385,088,582.01 | |
| III. Changes in equity during the period | | | | | | | | | | |
| 1. Total comprehensive income | - | - | 747,913.84 | - | - | 185,652,397.94 | 186,400,311.78 | 49,161,653.08 | 235,561,964.86 | |
| 2. Shareholders' contributions and reduction | | | | | | | | | | |
| - reduction of capital by non-controlling interests | - | - | - | - | (943,494.28) | - | (943,494.28) | (4,911,005.72) | (5,854,500.00) | |
| 3. Appropriation of profits | | | | | | | | | | |
| - Distributions to shareholders | V.10 | - | - | - | - | (135,974,126.00) | (135,974,126.00) | (11,089,210.00) | (147,063,336.00) | |
| 4. Special reserve | | | | | | | | | | |
| - Increase | - | - | - | 16,786,821.40 | - | - | 16,786,821.40 | 8,379,445.62 | 25,166,267.02 | |
| - Decrease | - | - | - | (16,677,722.43) | - | - | (16,677,722.43) | (7,560,075.23) | (24,237,797.66) | |
| Sub-total | - | - | 747,913.84 | 109,098.97 | (943,494.28) | 49,678,271.94 | 49,591,790.47 | 33,980,807.75 | 83,572,598.22 | |
| IV. Balance as at 30 June 2019 | 799,847,800.00 | 18,800,491.50 | (22,490,062.32) | 27,656,935.17 | 192,696,148.28 | 1,276,069,167.09 | 2,292,580,479.72 | 1,176,080,700.51 | 3,468,661,180.23 | |

This interim financial report was approved by the Board of Directors of the Company on 19 August 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 59 to 176 form part of this interim financial report.

Consolidated statement of changes in shareholders' equity (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

| | Attributable to shareholders of the Company | | | | | | | | Non-controlling interests | Total shareholders' equity |
|---|---|----------------|------------------|----------------------------|-----------------|-----------------|-------------------|------------------|---------------------------|----------------------------|
| | Note | Share capital | Capital reserve | Other comprehensive income | | | Retained earnings | Total | | |
| | | | | income | Special reserve | Surplus reserve | | | | |
| | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | |
| I. Balance as at 31 December 2017 | | 799,847,800.00 | 215,513,875.00 | (34,414,839.74) | 34,202,615.37 | 186,668,434.59 | 1,275,233,926.21 | 2,477,051,811.43 | 1,201,187,757.18 | 3,678,239,568.61 |
| Add: Changes in accounting policies | II.32 | - | - | (9,919.44) | - | - | (121,976,067.60) | (121,985,987.04) | (7,848,774.61) | (129,834,761.65) |
| II. Balance as at 1 January 2018 (Restated) | | 799,847,800.00 | 215,513,875.00 | (34,424,759.18) | 34,202,615.37 | 186,668,434.59 | 1,153,257,858.61 | 2,355,065,824.39 | 1,193,338,982.57 | 3,548,404,806.96 |
| III. Changes in equity during the period | | | | | | | | | | |
| 1. Total comprehensive income | | - | - | 1,362,564.69 | - | - | 198,312,295.30 | 199,674,859.99 | 27,232,026.93 | 226,906,886.92 |
| 2. Shareholders' contributions and reduction | | | | | | | | | | |
| - Contributions by non-controlling shareholders | | - | - | - | - | - | - | - | 20,706,000.00 | 20,706,000.00 |
| - Disposal of a subsidiary | | - | - | - | - | - | - | - | (723,150.63) | (723,150.63) |
| - Effect of a business combination involving enterprises under common control | | - | (196,713,383.50) | - | - | (9,829,606.40) | (88,466,457.62) | (295,009,447.52) | - | (295,009,447.52) |
| 3. Appropriation of profits | | | | | | | | | | |
| - Distributions to shareholders | V.10 | - | - | - | - | - | (127,975,648.00) | (127,975,648.00) | (740,419.40) | (128,716,067.40) |
| 4. Special reserve | | | | | | | | | | |
| - Increase | | - | - | - | 17,595,113.12 | - | - | 17,595,113.12 | 10,321,584.32 | 27,916,697.44 |
| - Decrease | | - | - | - | (18,070,717.54) | - | - | (18,070,717.54) | (10,429,674.88) | (28,500,392.42) |
| Sub-total | | - | (196,713,383.50) | 1,362,564.69 | (475,604.42) | (9,829,606.40) | (18,129,810.32) | (223,785,839.95) | 46,366,366.34 | (177,419,473.61) |
| IV. Balance as at 30 June 2018 | | 799,847,800.00 | 18,800,491.50 | (33,062,194.49) | 33,727,010.95 | 176,838,828.19 | 1,135,128,048.29 | 2,131,279,984.44 | 1,239,705,348.91 | 3,370,985,333.35 |

The notes on pages 59 to 176 form part of this interim financial report.

Company statement of changes in shareholders' equity (unaudited)

for the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

| | Note | Share capital RMB | Capital reserve RMB | Special reserve RMB | Surplus reserve RMB | Retained earnings RMB | Total equity RMB |
|---|-------|-------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|------------------------|
| I. Balance as at 31 December 2018 | | 799,847,800.00 | 210,546,645.59 | - | 191,938,695.80 | 253,908,132.74 | 1,456,241,274.13 |
| Add: Changes in accounting policies | II.32 | - | - | - | - | (585,213.11) | (585,213.11) |
| II. Balance as at 1 January 2019 (Restated) | | 799,847,800.00 | 210,546,645.59 | - | 191,938,695.80 | 253,322,919.63 | 1,455,656,061.02 |
| III. Changes in equity during the period | | | | | | | |
| 1. Total comprehensive income | | - | - | - | - | 42,327,472.10 | 42,327,472.10 |
| 2. Appropriation of profits | | | | | | | |
| - Distributions to shareholders | V.10 | - | - | - | - | (135,974,126.00) | (135,974,126.00) |
| 3. Special reserve | | | | | | | |
| - Increase | | - | - | 170,407.92 | - | - | 170,407.92 |
| - Decrease | | - | - | (112,608.00) | - | - | (112,608.00) |
| Sub-total | | - | - | 57,799.92 | - | (93,646,653.90) | (93,588,853.98) |
| IV. Balance as at 30 June 2019 | | 799,847,800.00 | 210,546,645.59 | 57,799.92 | 191,938,695.80 | 159,676,265.73 | 1,362,067,207.04 |

This interim financial report was approved by the Board of Directors of the Company on 19 August 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 59 to 176 form part of this interim financial report.

Company statement of changes in shareholders' equity (unaudited)

for the six months ended 30 June 2018

(Expressed in Renminbi Yuan)

| | Note | Share capital RMB | Capital reserve RMB | Special reserve RMB | Surplus reserve RMB | Retained earnings RMB | Total equity RMB |
|---|-------|------------------------------|------------------------------|-------------------------|------------------------------|------------------------------|--------------------------------|
| I. Balance as at 31 December 2017 | | 799,847,800.00 | 246,020,107.11 | - | 175,137,881.43 | 230,676,451.45 | 1,451,682,239.99 |
| Add: Changes in accounting policies | II.32 | - | - | - | - | (859,069.60) | (859,069.60) |
| II. Balance as at 1 January 2018 (Restated) | | <u>799,847,800.00</u> | <u>246,020,107.11</u> | <u>-</u> | <u>175,137,881.43</u> | <u>229,817,381.85</u> | <u>1,450,823,170.39</u> |
| III. Changes in equity during the period | | | | | | | |
| 1. Total comprehensive income | | - | - | - | - | 90,515,108.96 | 90,515,108.96 |
| 2. Shareholders' contributions and reduction | | | | | | | |
| - Effect of a business combination involving enterprises under common control | | - | (35,473,461.52) | - | - | - | (35,473,461.52) |
| 3. Appropriation of profits | | | | | | | |
| - Distributions to shareholders | V.10 | - | - | - | - | (127,975,648.00) | (127,975,648.00) |
| 4. Special reserve | | | | | | | |
| - Increase | | - | - | 170,407.92 | - | - | 170,407.92 |
| - Decrease | | - | - | (152,668.50) | - | - | (152,668.50) |
| Sub-total | | <u>-</u> | <u>(35,473,461.52)</u> | <u>17,739.42</u> | <u>-</u> | <u>(37,460,539.04)</u> | <u>(72,916,261.14)</u> |
| IV. Balance as at 30 June 2018 | | <u><u>799,847,800.00</u></u> | <u><u>210,546,645.59</u></u> | <u><u>17,739.42</u></u> | <u><u>175,137,881.43</u></u> | <u><u>192,356,842.81</u></u> | <u><u>1,377,906,909.25</u></u> |

The notes on pages 59 to 176 form part of this interim financial report.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

I. COMPANY STATUS

Guangdong Yueyun Transportation Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 28 December 1999 as a limited company under the name of Guangdong Yuedi Communications Company Limited ("Yuedi Communication") by Guangdong Provincial Highway Construction Company Limited, Guangdong Communication Enterprise Investment Company Limited, Guangdong Province Road & Bridge Construction Development Company Limited, Guangdong Weisheng Transportation Enterprise Company Limited and Guangdong Guantong Expressway Assets Management Company Limited. On 25 December 2000, Yuedi Communication was converted to a joint stock limited company under the approval of the People's Government Municipality Yue Ban Han [2000] No. 685 and Economic and Trade Commission of Guangdong Province Yue Jing Mao Jian Du [2000] No. 1057. On 1 April 2002, under the approval of Administration of Industry and Commerce of Guangdong Province, Guangdong Yuedi Communications Company Limited was renamed as Guangdong South China Logistics Enterprise Limited. The registered capital of the Company was 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 in 2004 and the revised Company's Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB 1 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

I. COMPANY STATUS *(continued)*

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

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

1 Basis of preparation of interim financial report

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

2 Statement of compliance

The Group's interim financial report complies with the requirements of "Accounting Standard for Business Enterprises No.32 – Interim Financial Reporting", and presents truly and completely the consolidated financial position and financial position of the Company as at 30 June 2019, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the period then ended.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the changes in accounting policies set out in Note II. 32.

3 Accounting period

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

4 Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's overseas subsidiaries choose Hong Kong dollar as their functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to present its financial statements, and the financial statements of foreign subsidiaries have been translated based on the accounting policy as set out in Note II. 9.

5 Accounting treatments for business combinations involving enterprises under and not under common control

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

(1) Business combinations involving enterprises under common control

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

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

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

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

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

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

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

Where a business combination involving enterprises not under common control is achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income for the current period. The amount recognised in other comprehensive income that may be reclassified to profit or loss relating to the previously-held equity interest in the acquiree (see Note II. 12 (2) (b)) is reclassified as investment income for the current period when the acquisition takes place.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

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

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

For the calculation and recognition of impairment of goodwill, please refer to Note II.19.

6 Preparation of consolidated financial statements

(1) General principles

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

6 Preparation of consolidated financial statements *(continued)*

(1) General principles (continued)

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests. Changes in the non-controlling 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

6 Preparation of consolidated financial statements *(continued)*

(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 interim financial report

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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

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

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

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

10 Financial instruments

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

(1) Recognition and initial measurement of financial assets and financial liabilities

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

A financial assets (unless it is an accounts receivable without a significant financing component) and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. An accounts receivable without a significant financing component is initially measured at the transaction price according to Note II.22.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

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

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

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

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

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

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

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.

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

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

*(b) Subsequent measurement of financial assets *(continued)**

- 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 interim financial report

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

(6) Impairment *(continued)*

Measurement of ECLs (continued)

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

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

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

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

Financial instruments that have low credit risk

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

(6) Impairment *(continued)*

Significant increases in credit risk

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

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

(6) Impairment *(continued)*

Significant increases in credit risk (continued)

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.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Financial instruments *(continued)*

(6) Impairment *(continued)*

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.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

11 Inventories *(continued)*

(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 interim financial report

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Long-term equity investments *(continued)*

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

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

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note II.6.

(b) Investment in joint ventures and associates

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Long-term equity investments *(continued)*

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

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

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

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.
- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses and other comprehensive income ("other changes in owners' equity"), and recognises the corresponding adjustment in shareholders' equity.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owner's equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Long-term equity investments *(continued)*

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

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

- 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.

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

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. Subsequent 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.

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

14 Fixed assets *(continued)*

(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 |
| Transportation vehicle rented under operating leases | 6 | 5 | 15.83 |

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

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

(4) 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

15 Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for its intended use.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note II.19).

16 Borrowing costs

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

17 Intangible assets

Intangible assets, other than toll bridge franchise operating rights which are initially recognised based on the agreed amount of shareholder's capital contribution, are measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less estimated residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

Estimated useful life of intangible assets are as follows:

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

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

17 Intangible assets *(continued)*

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

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

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

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

18 Long-term deferred expenses

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

19 Impairment of assets other than inventories and financial assets

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

- fixed assets
- construction in progress
- right-of-use assets
- 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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

19 Impairment of assets other than inventories and financial assets *(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 interim financial report

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Revenue *(continued)*

For performance obligation satisfied 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 interim financial report

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Revenue *(continued)*

(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).

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

24 Specific reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the expenses. When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilisation of the safety fund for fixed assets, the specific reserve is reduced as the fixed assets are recognised, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognised in accumulated depreciation with respect to the related fixed assets. As a consequence, such fixed assets are not depreciated in subsequent periods.

25 Income tax

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

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

(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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

25 Income tax *(continued)*

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

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

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

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

26 Leases

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of uses; and
- the lessee has the right to direct the use of the asset.

For a contract that contains multiple lease components, the lessee and lessor separates and accounts for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and lessor separates the lease and non-lease components. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. When separating the lease and non-lease components of a contract, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the principles of transaction price allocation described in Note II.22.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

26 Leases *(continued)*

(1) *the Group as a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

If it is reasonably certain that the lease will transfers ownership of the underlying asset to the lessee by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognised in accordance with the accounting policy described in Note II.19.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group calculates interest expenses in each period during the lease term based on a constant periodic rate of interest, and recognizes the interest expenses in profit or loss or part of the cost of another related assets. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss or part of the cost of another related asset as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of an option to purchase the underlying asset, to extend or terminate the lease, or the exercise of the option to extend or terminate the lease is different from the previous assessment.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

26 Leases *(continued)*

(1) the Group as a lessee *(continued)*

When the lease liability is remeasured, the Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases that have a lease term of 12 months or less) and leases of low-value assets, and recognized the lease payments associated with these leases in profit or loss or part of the cost of another related assets on a straight-line basis over the lease term.

(2) the Group as a lessor

At the lease inception date, the Group classify each of its leases as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

Under finance leases, at the commencement date, the Group recognises finance lease receivable and recognises the underlying assets. The Group initially measures finance lease receivable in the amount of net investment in the lease. Net investment in the lease is the sum of present value of unguaranteed residual value and the lease payments receivable at the commencement date, discounted at the interest rate implicit in the lease.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

26 Leases *(continued)*

(2) *the Group as a lessor (continued)*

The Group calculates and recognises finance income in each period during the lease term, based on a constant periodic rate of interest. The decognition and impairment losses are recognised in accordance with the accounting policy described in Note II.10. Variable lease payments not included in the measurement of the net investment in the lease are recognized in profit or loss as incurred.

Lease payments received under operating leases are recognised as lease income on a straight-line basis over the lease term. The Group capitalises the initial direct costs incurred in obtaining an operating lease and recognises those costs as expenses over the lease term on the same basis as the lease income. Variable lease payments not included in the measurement of the net investment in the lease are recognized in profit or loss as incurred.

27 Employee benefits

(1) *Short-term employee benefits*

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

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

Pursuant to the relevant laws and regulations of the PRC, the Company and its domestic subsidiaries participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Company and its domestic subsidiaries makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

27 Employee benefits *(continued)*

(3) Post-employment benefits - defined benefit plans

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

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

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

(4) Termination benefits

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

28 Profit distributions

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

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.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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.

Note II. 13, 14, 17, 18, 26 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, right-of-use assets and recognition of government subsidies. Notes V. 1, 3, 4 and 25 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.

32 Changes in significant accounting policies

(1) Description and reasons of the changes

In 2019, the Group has applied below revised accounting standards issued by the MOF in 2018 and 2019:

- CAS No.21 – Leases (Revised) (the “new leases standard”)
- Notice on Revision of the 2019 Illustrative Financial Statements (Caikuai [2019] No.6)

Notes to the interim financial report

(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

(a) Caikuai [2019] No.6

The Group has prepared the interim financial statements for the six-month period ended 30 June 2019 in accordance with the presentation format of the financial statements specified in Caikuai [2019] No.6 and applied the new presentation requirements retrospectively.

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2018:

| | The Group | | |
|-----------------------------------|--------------------|-----------------------|-------------------|
| | Before adjustments | Adjustments | After adjustments |
| Bills and accounts receivable | 426,533,184.08 | (426,533,184.08) | - |
| Bills receivable | - | 310,802.08 | 310,802.08 |
| Accounts receivable | - | 426,222,382.00 | 426,222,382.00 |
| Bills and accounts payable (Note) | 798,898,371.19 | (798,898,371.19) | - |
| Bills payable | - | 12,944,770.00 | 12,944,770.00 |
| Accounts payable | - | <u>785,953,601.19</u> | 785,953,601.19 |
| Total | | <u>-</u> | |

| | The Company | | |
|-----------------------------------|--------------------|----------------------|-------------------|
| | Before adjustments | Adjustments | After adjustments |
| Bills and accounts receivable | 194,620,429.69 | (194,620,429.69) | - |
| Accounts receivable | - | 194,620,429.69 | 194,620,429.69 |
| Bills and accounts payable (Note) | 48,526,535.39 | (48,526,535.39) | - |
| Accounts payable | - | <u>48,526,535.39</u> | 48,526,535.39 |
| Total | | <u>-</u> | |

Note: The impact of retrospective adjustments of the new leases standard (Note II. 32(2)(b)) has been considered.

Notes to the interim financial report

(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)

(b) New leases standard

The new leases standard revised CAS No.21 – Leases issued by the MOF in 2006 (the “previous leases standard”). The Group has applied the new leases standard since 1 January 2019 and adjusted the related accounting policies.

The new leases standard introduces the definition of a lease. The Group assesses whether a contract is, or contains, a lease in accordance with the definition of a lease under the new leases standard. For contracts entered into before the date of initial application, the Group has elected not to reassess whether the contract is, or contains, a lease.

- the Group as a lessee

Under the previous leases standard, the Group classifies each of its leases as either a finance lease or an operating lease, based on the assessment of whether the leases transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the Group.

Under the new leases standard, the Group no longer classifies finance lease and operating lease. The Group recognises a right-of-use asset and a lease liability for all leases (except for short-term leases and leases of low-value assets which the Group elects to apply the simplified measurement method).

When separating the lease and non-lease components of a contract, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has applied the new leases standard since 1 January 2019 and elected to restate the comparative information in accordance with the policy of CAS No.28 – Changes in accounting policies and accounting estimates, and corrections of accounting errors.

Notes to the interim financial report

(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)*

*(b) New leases standard *(continued)**

- the Group as a lessor

Under the new leases standard, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. For subleases that were classified as operating leases before the date of initial application and are ongoing at the date of initial application, the Group reassess the subleases on the basis of the remaining contractual terms and conditions of the lead lease and sublease at the date of initial application and makes classification in accordance with the requirements of the new leases standard. For subleases that were classified as operating leases applying the previous leases standard but finance leases applying the new leases standard, the Group accounts for the sublease as a new finance lease.

As a lessor, there is no need for the Group to adjust the balance of retained earnings at the beginning of the year and other items of financial statements of the year of initial application. The Group accounts for the leases in accordance with the requirements of the new leases standard from the date of initial application.

- Impact on the financial statements of applying the new leases standard since 1 January 2019

Based on the comparative financial statements retrospectively adjusted in accordance with the requirements of Caikuai [2019] No.6, the summary of impact of applying the new leases standard on items of the consolidated balance sheet and company balance sheet, consolidated income statement and company income statement, and consolidated cash flow statement and company cash flow statement is as below:

Notes to the interim financial report

(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)

(b) New leases standard (continued)

- Impact on the financial statements of applying the new leases standard since 1 January 2019 *(continued)*

| | As at 31 December 2017 Before adjustments | The Group As at 1 January 2018 After adjustments | Adjustments |
|--|---|---|--------------------------------|
| Prepayments | 330,959,378.33 | 322,606,973.48 | (8,352,404.85) |
| Fixed assets | 2,683,689,257.33 | 2,550,000,887.54 | (133,688,369.79) |
| Right-of-use assets | - | 1,678,863,130.14 | 1,678,863,130.14 |
| Long-term deferred expenses | 52,170,691.55 | 49,115,649.79 | (3,055,041.76) |
| Deferred tax assets | 215,501,150.20 | 256,914,325.25 | 41,413,175.05 |
| Other non-current assets | 411,886,142.50 | 241,883,140.90 | <u>(170,003,001.60)</u> |
| Total assets | | | <u><u>1,405,177,487.19</u></u> |
| Accounts payable | 854,672,300.91 | 833,670,350.03 | (21,001,950.88) |
| Non-current liabilities due within one year | 158,346,422.54 | 234,379,452.04 | 76,033,029.50 |
| Lease liabilities | - | 1,610,306,451.87 | 1,610,306,451.87 |
| Long-term payables | 165,168,357.56 | 34,843,075.91 | <u>(130,325,281.65)</u> |
| Total liabilities | | | <u><u>1,535,012,248.84</u></u> |
| Other comprehensive income | (34,414,839.74) | (34,424,759.18) | (9,919.44) |
| Retained earnings | 1,275,233,926.21 | 1,153,257,858.61 | (121,976,067.60) |
| Non-controlling interests | 1,201,187,757.18 | 1,193,338,982.57 | <u>(7,848,774.61)</u> |
| Total shareholders' equity | | | <u><u>(129,834,761.65)</u></u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies *(continued)*

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

(b) New leases standard *(continued)*

- Impact on the financial statements of applying the new leases standard since 1 January 2019 *(continued)*

| | The Group | | Adjustments |
|--|---|--|-------------------------|
| | As at 31 December 2018 Before adjustments | As at 31 December 2018 After adjustments | |
| Prepayments | 231,456,090.43 | 222,312,580.62 | (9,143,509.81) |
| Non-current assets due within one year | 3,484,750.69 | 2,140,743.97 | (1,344,006.72) |
| Fixed assets | 2,944,332,851.94 | 2,763,675,916.53 | (180,656,935.41) |
| Right-of-use assets | - | 1,902,086,097.35 | 1,902,086,097.35 |
| Long-term deferred expenses | 96,170,748.72 | 93,418,686.31 | (2,752,062.41) |
| Deferred tax assets | 195,669,154.81 | 242,602,345.03 | 46,933,190.22 |
| Other non-current assets | 411,720,977.48 | 246,935,701.65 | (164,785,275.83) |
| Total assets | | | <u>1,590,337,497.39</u> |
| Accounts payable | 824,201,021.31 | 785,953,601.19 | (38,247,420.12) |
| Non-current liabilities due within one year | 319,724,895.49 | 412,432,246.82 | 92,707,351.33 |
| Lease liabilities | - | 1,847,447,781.79 | 1,847,447,781.79 |
| Long-term payables | 282,816,003.27 | 119,721,290.95 | (163,094,712.32) |
| Total liabilities | | | <u>1,738,813,000.68</u> |
| Other comprehensive income | (23,217,197.24) | (23,237,976.16) | (20,778.92) |
| Retained earnings | 1,365,334,887.44 | 1,226,390,895.15 | (138,943,992.29) |
| Non-controlling interests | 1,151,610,624.84 | 1,142,099,892.76 | (9,510,732.08) |
| Total shareholders' equity | | | <u>(148,475,503.29)</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies *(continued)*

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

(b) New leases standard (continued)

- Impact on the financial statements of applying the new leases standard since 1 January 2019 *(continued)*

| | For the six months ended 30 June 2018 Before adjustments | The Group For the six months ended 30 June 2018 After adjustments | Adjustments |
|---|---|---|-------------------------------|
| Operating costs | 2,625,163,950.43 | 2,596,349,267.93 | (28,814,682.50) |
| Selling and distribution expenses | 30,258,913.92 | 30,237,807.58 | (21,106.34) |
| General and administrative expenses | 324,341,814.19 | 324,233,014.88 | (108,799.31) |
| Financial expenses | 31,861,180.65 | 75,461,209.05 | 43,600,028.40 |
| Gain from asset disposals | 262,810.93 | 307,747.06 | 44,936.13 |
| Income tax expenses | 85,046,398.56 | 81,627,093.17 | <u>(3,419,305.39)</u> |
| Total adjustment of net profit | | | (11,191,198.73) |
| Non-controlling interests | 27,367,078.27 | 26,520,299.52 | <u>(846,778.75)</u> |
| Total adjustment of net profit attributable to shareholders of the Company | | | <u><u>(10,344,419.98)</u></u> |
| Payment for goods and services | 2,449,145,175.59 | 2,358,177,072.01 | (90,968,103.58) |
| Payment relating to other operating activities | 117,573,819.68 | 113,618,269.32 | (3,955,550.36) |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | 513,035,970.57 | 479,730,902.67 | (33,305,067.90) |
| Payment for lease liability principal and interest | - | 128,228,721.84 | <u>128,228,721.84</u> |
| Total | | | <u><u>-</u></u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies *(continued)*

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

(b) New leases standard *(continued)*

- Impact on the financial statements of applying the new leases standard since 1 January 2019 *(continued)*

| | The Company | | Adjustments |
|--|---|--|----------------------|
| | As at 31 December 2017 Before adjustments | As at 1 January 2018 After adjustments | |
| Right-of-use assets | - | 19,781,547.33 | 19,781,547.33 |
| Long-term deferred expenses | 5,622,448.53 | 2,567,406.77 | (3,055,041.76) |
| Deferred tax assets | 149,417,613.25 | 149,703,969.79 | <u>286,356.54</u> |
| Total assets | | | <u>17,012,862.11</u> |
| Accounts payable | 104,442,323.80 | 104,244,244.00 | (198,079.80) |
| Non-current liabilities due within one year | - | 7,843,764.53 | 7,843,764.53 |
| Lease liabilities | - | 10,226,246.98 | <u>10,226,246.98</u> |
| Total liabilities | | | <u>17,871,931.71</u> |
| Retained earnings | 230,676,451.45 | 229,817,381.85 | <u>(859,069.60)</u> |
| Total shareholders' equity | | | <u>(859,069.60)</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies *(continued)*

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

*(b) New leases standard *(continued)**

- Impact on the financial statements of applying the new leases standard since 1 January 2019 *(continued)*

| | The Company | | Adjustments |
|--|---|--|-----------------------------|
| | As at 31 December 2018 Before adjustments | As at 31 December 2018 After adjustments | |
| Right-of-use assets | - | 11,999,945.44 | 11,999,945.44 |
| Long-term deferred expenses | 3,517,954.83 | 765,892.42 | (2,752,062.41) |
| Deferred tax assets | 142,909,403.89 | 143,104,474.93 | <u>195,071.04</u> |
| Total assets | | | <u><u>9,442,954.07</u></u> |
| Accounts payable | 48,724,615.18 | 48,526,535.39 | (198,079.79) |
| Non-current liabilities due within one year | - | 8,285,468.07 | 8,285,468.07 |
| Lease liabilities | - | 1,940,778.90 | <u>1,940,778.90</u> |
| Total liabilities | | | <u><u>10,028,167.18</u></u> |
| Retained earnings | 253,908,132.74 | 253,322,919.63 | <u>(585,213.11)</u> |
| Total shareholders' equity | | | <u><u>(585,213.11)</u></u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

32 Changes in significant accounting policies *(continued)*

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

*(b) New leases standard *(continued)**

- Impact on the financial statements of applying the new leases standard since 1 January 2019 *(continued)*

| | The Company | | Adjustments |
|---|---|--|---------------------|
| | For the six months ended 30 June 2018 Before adjustments | For the six months ended 30 June 2018 After adjustments | |
| Operating costs | 257,582,833.52 | 257,495,026.74 | (87,806.78) |
| General and administrative expenses | 34,413,128.82 | 34,108,831.83 | (304,296.99) |
| Financial expenses | 6,204,095.74 | 6,544,035.41 | 339,939.67 |
| Income tax expenses | 26,516,674.55 | 26,529,715.58 | 13,041.03 |
| Total adjustment of net profit | | | <u>39,123.07</u> |
| Payment for goods and services | 753,892,939.56 | 753,732,939.92 | (159,999.64) |
| Payment relating to other operating activities | 17,781,338.85 | 13,825,788.49 | (3,955,550.36) |
| Payment for lease liability principal and interest | - | 4,115,550.00 | <u>4,115,550.00</u> |
| Total | | | <u>-</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

III. TAXATION

Main types of taxes and corresponding tax rates

| Tax type | Tax basis | Tax rate |
|--|---|--|
| Value added tax ("VAT") | Income from sale of goods (Note 1) | 17% or 16% or 13%, 11% or 10% or 9% |
| VAT | Transportation income (Note 1) | 11% or 10% or 9%, 3%, 0%, exempted |
| VAT | Income from pier cargo storage and rescue service | 6% |
| VAT | Service income derived from highway facilities and other auxiliary facilities (Note 1, 2) | 11% or 10% or 9%, 6%, 5% |
| VAT | Income from construction contracts and toll income (Note 1,2) | 11% or 10% or 9%, 3% |
| City maintenance and construction tax | VAT paid | 7%, 5% |
| Education surcharge and local education surcharge | VAT paid | 3%, 2% |
| Cultural construction fee | Income from advertisements | 3% |
| Enterprise income tax | Taxable profit (Note 3) | 25%, 20% |
| Hong Kong profits tax | Assessable profit (Note 4) | 16.5% |

Note 1: According to "The Announcement of 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. According to "Announcement on policies for deepening the Value Added Tax reform" ([2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), the applicable tax rates for the sales or import of goods have been changed from 16% and 10% to 13% and 9% respectively since 1 April 2019.

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

III. TAXATION *(continued)*

Main types of taxes and corresponding tax rates *(continued)*

Note 3: The Group's subsidiaries Guangdong Province Transportation Engineering Company Limited, Foshan City Yueyun Hexing Transportation Co., Ltd., Zhaoqing City Yueyun Logistics Co., Ltd., Zhaoqing Yueyun Travel Service Co., Ltd., Huaiji County Yueyun City-Village Public Transportation Co., Ltd., Yangchun Langri Fuels Co., Ltd., Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd., Yangchun City Yueyun Langri Public Transportation Co., Ltd., Yangchun City's Third Motor Transportation Co., Ltd., Yangjiang City Xinyi Advertising Co., Ltd., Yangjiang City Tongguwan Vehicles Comprehensive Performance Testing Co., Ltd., Heyuan City Yuancheng District Yueyun Transportation Co., Ltd., Guangdong Gangtong Vehicles Transportation Co., Ltd., Zhongshan City Yueyun Tongxing Transportation Co., Ltd., Zhongshan City Eastern Station Co., Ltd., Qingyuan Yueyun Vehicles Transportation Co., Ltd., Guangzhou Passenger Transportation Branch, Yangshan County Yueyun Motor Inspection Co., Ltd., Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd., Yangshan County Shuntong Transportation Services Co., Ltd., Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd., Dapu Vehicles Transportation Co., Ltd., Meizhou Vehicle Materials Supply Co., Ltd., Shaoguan City Guangshao Motor Transportation Co., Ltd., Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd., Shaoguan Polycom Motor Vehicles Driving Training Co., Ltd. and Shaoguan City Xi'an Traffic Travel Agency Co., Ltd. meet the conditions of small-scaled minimal profit enterprise. Pursuant to Caishui [2017] No. 43, "The Announcement of expanding Preferential tax treatment of Small-scaled minimal profit enterprise" issued by MOF and National Tax Bureau, the Small-scaled minimal profit enterprise with an annual taxable income below 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. Pursuant to Caishui [2019] No. 13, "Notice on implementation of Inclusive Tax Preferential tax treatment for Small-scaled minimal profit enterprise" issued by MOF and National Tax Bureau on 17 January 2019, 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 25% exemption of taxable income and application of income tax rate as 20%; the Small-scaled minimal profit enterprise with an annual taxable income which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate from 1 January 2019 to 31 December 2021.

Except for the above companies, the income tax rate applicable to the Company and each of its mainland subsidiaries for the period is 25% (corresponding period in 2018: 25%).

Note 4: The applicable Hong Kong profits tax rate for the period is 16.5% for the four subsidiaries: Yueyun Transportation (HK) Company Limited, The Motor Transport Company of Guangdong and Hong Kong Limited, Gang Tong (HK) Motor Transport Company Limited and Guangdong Yue Li Jia Passenger Transport Company (Hong Kong) (corresponding period in 2018: 16.5%).

Pursuant to the Financial Budget Proposal announced by Hong Kong government on 27 February 2019, enterprises registered in Hong Kong are entitled to a one-off preferential tax treatment of 75% exemption of profit tax in 2019 with the maximum of HK\$20,000.

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.

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

1 Subsidiaries acquired through establishment or investment during the period

| No. | Full name of the subsidiary | Type | Incorporation place | Registration place | Business nature | Registration capital RMB | Period end actual investment RMB | Share holding percentage % | Voting rights percentage % |
|-----|-----------------------------|------|---------------------|--------------------|-----------------|-----------------------------|-------------------------------------|-------------------------------|-------------------------------|
| | | | | | | | | | |

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

| No. | Full name of the subsidiary | Type | Incorporation place | Registration place | Business nature | Registration capital RMB | Period end actual investment RMB | Share holding percentage % | Voting rights percentage % |
|-----|-----------------------------|------|---------------------|--------------------|-----------------|-----------------------------|-------------------------------------|-------------------------------|-------------------------------|
| | | | | | | | | | |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

Notes to the interim financial report

(Expressed in Renminbi Yuan)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

(continued)

3 Former subsidiaries that ceased to be consolidated during the period

Guangdong Yueyun Transportation Technology Service (Guangzhou) Co., Ltd., a subsidiary of the Group, was deregistered on 19 February 2019. Its operating results and cash flows before the date of deregistration have been included in the Group's consolidated income statement and consolidated cash flow statement for the six months ended 30 June 2019. Lianping Yueyun Passenger Transportation Co., Ltd., a subsidiary of the Group, was disposed on 28 June 2019. Its operating results and cash flows before the date of deregistration have been included in the Group's consolidated income statement and consolidated cash flow statement for the six months ended 30 June 2019.

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

As at 30 June 2019, overseas subsidiaries translate all assets and liabilities items in the balance sheets by applying the spot exchange rate at the period end as HKD1 against RMB0.8797; and all items in the income statement and items reflecting the distributions of profits are translated by applying the average exchange rate during the period as HKD1 against RMB0.8780.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT

1 Accounts receivable

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

The Group

| | As at 30 June 2019 RMB | As at 31 December 2018 RMB |
|---|---------------------------------|-------------------------------------|
| Ageing | | |
| Within 3 months (inclusive) | 415,468,548.98 | 364,964,328.60 |
| Over 3 months and within 6 months (inclusive) | 63,761,178.99 | 21,554,047.37 |
| Over 6 months and within 1 year (inclusive) | 3,256,804.46 | 24,531,868.92 |
| Over 1 year and within 2 years (inclusive) | 9,221,678.23 | 18,064,655.08 |
| Over 2 years and within 3 years (inclusive) | 4,804,912.45 | 7,071,593.91 |
| Over 3 years | 38,772,801.85 | 39,084,836.13 |
| Sub-total | 535,285,924.96 | 475,271,330.01 |
| Less: Provisions for bad and doubtful debts | (51,496,802.36) | (49,048,948.01) |
| Total | 483,789,122.60 | 426,222,382.00 |

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (continued)

1 Accounts receivable (continued)

(1) *The ageing analysis of accounts receivable is as follows: (continued)*

The Company

| | As at 30 June 2019 RMB | As at 31 December 2018 RMB |
|---|---|-------------------------------------|
| Ageing | | |
| Within 3 months (inclusive) | 117,009,972.45 | 171,912,573.77 |
| Over 3 months and within 6 months (inclusive) | 23,097,942.47 | 1,233,935.04 |
| Over 6 months and within 1 year (inclusive) | 1,486,729.24 | 2,050,783.26 |
| Over 1 year and within 2 years (inclusive) | - | 8,565,427.77 |
| Over 2 years and within 3 years (inclusive) | 79,716.51 | 3,784,171.13 |
| Over 3 years | 32,836,705.72 | 34,179,314.00 |
| Sub-total | 174,511,066.39 | 221,726,204.97 |
| Less: Provisions for bad and doubtful debts | (22,786,459.59) | (27,105,775.28) |
| Total | 151,724,606.80 | 194,620,429.69 |

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (continued)

1 Accounts receivable (continued)

(2) Impairment of accounts receivable

The Group

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

| | ECL | As at 30 June 2019 | | As at 31 December 2018 | |
|--|------|--------------------|---|------------------------|---|
| | | Book value RMB | Provisions for bad and doubtful debts RMB | Book value RMB | Provisions for bad and doubtful debts RMB |
| Road passenger transportation and auxiliary services | | | | | |
| Within one year (inclusive) | 5% | 297,265,208.37 | (14,877,255.64) | 186,234,578.55 | (9,439,173.34) |
| Over 1 year and within 2 years (inclusive) | 35% | 6,861,322.31 | (2,409,372.72) | 6,437,650.75 | (2,253,177.76) |
| Over 2 years and within 3 years (inclusive) | 50% | 3,606,433.21 | (1,804,581.65) | 2,626,414.34 | (1,313,207.17) |
| Over 3 years | 100% | 6,288,543.72 | (6,288,543.72) | 5,527,868.11 | (5,527,868.11) |
| Sub-total | | 314,021,507.61 | (25,379,753.73) | 200,826,511.75 | (18,533,426.38) |
| Expressway service zones services | | | | | |
| Within one year (inclusive) | 5% | 43,626,679.90 | (2,199,607.98) | 49,618,374.29 | (2,480,918.71) |
| Over 1 year and within 2 years (inclusive) | 10% | 2,360,355.92 | (236,035.59) | 3,061,576.56 | (306,157.66) |
| Over 2 years and within 3 years (inclusive) | 30% | 1,118,762.73 | (335,628.82) | 661,008.44 | (198,302.53) |
| Over 3 years | 50% | 1,118,633.29 | (559,316.65) | 848,734.90 | (424,367.45) |
| Sub-total | | 48,224,431.84 | (3,330,589.04) | 54,189,694.19 | (3,409,746.35) |
| Constructions materials supply | | | | | |
| Within one year (inclusive) | 5% | 141,594,644.16 | (7,079,732.22) | 175,197,292.05 | (8,759,864.60) |
| Over 1 year and within 2 years (inclusive) | 10% | - | - | 8,565,427.77 | (856,542.78) |
| Over 2 years and within 3 years (inclusive) | 30% | 79,716.51 | (23,914.95) | 3,784,171.13 | (1,135,251.34) |
| Over 3 years | 50% | 31,365,624.84 | (15,682,812.42) | 32,708,233.12 | (16,354,116.56) |
| Sub-total | | 173,039,985.51 | (22,786,459.59) | 220,255,124.07 | (27,105,775.28) |
| Total | | 535,285,924.96 | (51,496,802.36) | 475,271,330.01 | (49,048,948.01) |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

1 Accounts receivable *(continued)*

(2) Impairment of accounts receivable *(continued)*

The Company

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

| | ECL | As at 30 June 2019 | | As at 31 December 2018 | |
|---|-----|-----------------------|------------------------|------------------------|------------------------|
| | | Book value | Provisions for bad | Book value | Provisions for bad |
| | | | and doubtful debts | | and doubtful debts |
| | | RMB | RMB | RMB | RMB |
| Within one year (inclusive) | 5% | 141,594,644.16 | (7,079,732.22) | 175,197,292.07 | (8,759,864.60) |
| Over 1 year and within 2 years (inclusive) | 10% | - | - | 8,565,427.77 | (856,542.78) |
| Over 2 years and within 3 years (inclusive) | 30% | 79,716.51 | (23,914.95) | 3,784,171.13 | (1,135,251.34) |
| Over 3 years | 50% | 32,836,705.72 | (15,682,812.42) | 34,179,314.00 | (16,354,116.56) |
| Total | | <u>174,511,066.39</u> | <u>(22,786,459.59)</u> | <u>221,726,204.97</u> | <u>(27,105,775.28)</u> |

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (continued)

1 Accounts receivable (continued)

- (3) The analysis of the movements of credit loss for accounts receivable for the six months ended 30 June 2019 and the year ended 31 December 2018 is as follows:

The Group

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------|
| | 2019 RMB | 2018 RMB |
| Adjusted balance at the beginning of the period/year | (49,048,948.01) | (114,389,948.74) |
| (Addition)/reversal during the period/year | (2,446,011.46) | 36,518,790.86 |
| Written-off during the period/year | 2,808.00 | 604,626.80 |
| (Increase)/decrease resulting from consolidation scope change during the period/year | (4,650.89) | 28,217,583.07 |
| Balance at the end of the period/year | <u>(51,496,802.36)</u> | <u>(49,048,948.01)</u> |

The Company

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------------|
| | 2019 RMB | 2018 RMB |
| Adjusted balance at the beginning of the period/year | (27,105,775.28) | (44,880,504.59) |
| Reversal during the period/year | <u>4,319,315.69</u> | <u>17,774,729.31</u> |
| Balance at the end of the period/year | <u>(22,786,459.59)</u> | <u>(27,105,775.28)</u> |

2 Investments in other equity instruments

As at 30 June 2019 and 31 December 2018, the investments in other equity instruments of the Group and the Company were equity investments. They are designated as equity investments at FVOCI. The fair value measurement of the above equity investments is categorised in Level 3.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (continued)

3 Fixed assets

The Group

| | Note IV | Buildings and structures RMB | Building improvements RMB | Machinery and equipment RMB | Electronic equipment, office equipment and others RMB | Transportation vehicles RMB | Total RMB |
|---|---------|------------------------------------|---------------------------------|-----------------------------------|--|-----------------------------------|--------------------|
| Cost | | | | | | | |
| Balance as at 31 December 2018 | | | | | | | |
| (Restated) | | 1,398,426,706.45 | 189,680,156.46 | 88,112,537.47 | 327,549,202.79 | 3,338,348,881.96 | 5,342,117,485.13 |
| Additions during the period | | 82,609.11 | 21,262,614.63 | 1,947,869.42 | 17,936,654.00 | 61,118,030.41 | 102,347,777.57 |
| Transferred from construction in progress | | 75,061,081.18 | 60,680,679.49 | 2,422,852.47 | 11,916,523.33 | 309,371,567.98 | 459,452,704.45 |
| Transferred from investment properties | | 9,826,244.44 | - | - | - | - | 9,826,244.44 |
| Additions arising from business combinations not under common control | 2 | - | - | - | 300,470.28 | 11,723,844.42 | 12,024,314.70 |
| Foreign currency financial statement translation differences | | 153,667.64 | - | 4,489.13 | 28,553.54 | 1,013,889.28 | 1,200,599.59 |
| Disposals during the period | | (3,724,702.93) | (457,953.40) | (2,121,597.29) | (5,823,798.83) | (98,918,044.93) | (111,046,097.38) |
| Transferred to investment properties | | (24,619.72) | - | - | - | - | (24,619.72) |
| Deductions resulting from consolidation scope change | 3 | - | - | - | (29,506.00) | (10,234,689.97) | (10,264,195.97) |
| Balance as at 30 June 2019 | | 1,479,800,986.17 | 271,165,497.18 | 90,366,151.20 | 351,878,099.11 | 3,612,423,479.15 | 5,805,634,212.81 |
| Less: Accumulated depreciation | | | | | | | |
| Balance as at 31 December 2018 | | | | | | | |
| (Restated) | | (350,201,448.81) | (114,508,926.58) | (30,294,314.55) | (226,735,503.64) | (1,851,000,692.96) | (2,572,740,886.54) |
| Charges during the period | | (23,951,460.35) | (3,269,225.29) | (6,091,455.92) | (24,709,089.27) | (221,722,037.68) | (279,743,268.51) |
| Transferred from investment properties | | (3,283,957.64) | - | - | - | - | (3,283,957.64) |
| Transferred to investment properties | | 2,816.84 | - | - | - | - | 2,816.84 |
| Foreign currency financial statement translation differences | | (56,722.62) | - | (4,278.99) | (20,220.04) | (801,682.27) | (882,903.92) |
| Written off on disposal | | 3,164,927.56 | - | 87,612.73 | 5,594,123.63 | 84,906,661.72 | 93,753,325.64 |
| Deductions resulting from consolidation scope change | 3 | - | - | - | 24,307.36 | 4,950,175.17 | 4,974,482.53 |
| Balance as at 30 June 2019 | | (374,325,845.02) | (117,778,151.87) | (36,302,436.73) | (245,846,381.96) | (1,983,667,576.02) | (2,757,920,391.60) |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

3 Fixed assets *(continued)*

The Group *(continued)*

| | Buildings and structures RMB | Building improvements RMB | Machinery and equipment RMB | Electronic equipment, office equipment and others RMB | Transportation vehicles RMB | Total RMB |
|---------------------------------------|------------------------------------|---------------------------------|-----------------------------------|--|-----------------------------------|-------------------------|
| Less: Provision for impairment | | | | | | |
| Balance as at 31 December 2018 | - | - | - | - | (5,700,682.06) | (5,700,682.06) |
| Written off on disposal | - | - | - | - | 376,991.46 | 376,991.46 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,323,690.60)</u> | <u>(5,323,690.60)</u> |
| Balance as at 30 June 2019 | - | - | - | - | (5,323,690.60) | (5,323,690.60) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,323,690.60)</u> | <u>(5,323,690.60)</u> |
| Carrying amount | | | | | | |
| As at 30 June 2019 | <u>1,105,475,141.15</u> | <u>153,387,345.31</u> | <u>54,063,714.47</u> | <u>106,031,717.15</u> | <u>1,623,432,212.53</u> | <u>3,042,390,130.61</u> |
| As at 31 December 2018 (Restated) | <u>1,048,225,257.64</u> | <u>75,171,229.88</u> | <u>57,818,222.92</u> | <u>100,813,699.15</u> | <u>1,481,647,506.94</u> | <u>2,763,675,916.53</u> |

As at 30 June 2019, fixed assets with carrying amount of RMB184,566,961.66 (31 December 2018: RMB183,372,960.62) were pledged for bank borrowings, among which, RMB165,554,899.25 were pledged for long-term loans (31 December 2018: RMB165,645,309.27) and RMB19,012,062.41 were pledged for short-term loans (31 December 2018: RMB17,727,651.35).

On 30 June 2019, the buildings and structures in certain cities have not yet obtained the certificates of title. As at 30 June 2019, the carrying amount of such buildings was RMB228,773,279.83 (31 December 2018: RMB251,072,321.25).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

3 Fixed assets *(continued)*

The Company

| | Transportation vehicles RMB | Electronic equipment, office equipment and others RMB | Buildings and structures RMB | Total RMB |
|---|-----------------------------------|--|------------------------------------|------------------------|
| Cost | | | | |
| Balance as at 31 December 2018 | 7,044,804.68 | 13,077,476.08 | 3,424,779.00 | 23,547,059.76 |
| Additions during the period | 369,347.62 | 906,016.00 | - | 1,275,363.62 |
| Transferred from construction in progress | - | 960,000.00 | - | 960,000.00 |
| Disposals during the period | - | (625,901.21) | - | (625,901.21) |
| | <u>7,414,152.30</u> | <u>14,317,590.87</u> | <u>3,424,779.00</u> | <u>25,156,522.17</u> |
| Balance as at 30 June 2019 | <u>7,414,152.30</u> | <u>14,317,590.87</u> | <u>3,424,779.00</u> | <u>25,156,522.17</u> |
| Less: Accumulated depreciation | | | | |
| Balance as at 31 December 2018 | (6,484,767.46) | (9,317,155.36) | (488,031.12) | (16,289,953.94) |
| Charges during the period | (47,055.74) | (637,691.97) | (81,338.52) | (766,086.23) |
| Written off on disposal | - | 586,956.90 | - | 586,956.90 |
| | <u>(6,531,823.20)</u> | <u>(9,367,890.43)</u> | <u>(569,369.64)</u> | <u>(16,469,083.27)</u> |
| Balance as at 30 June 2019 | <u>(6,531,823.20)</u> | <u>(9,367,890.43)</u> | <u>(569,369.64)</u> | <u>(16,469,083.27)</u> |
| Carrying amount | | | | |
| As at 30 June 2019 | <u>882,329.10</u> | <u>4,949,700.44</u> | <u>2,855,409.36</u> | <u>8,687,438.90</u> |
| As at 31 December 2018 | <u>560,037.22</u> | <u>3,760,320.72</u> | <u>2,936,747.88</u> | <u>7,257,105.82</u> |

As at 30 June 2019, the Company had no restricted fixed assets and had no buildings without certificates of title (31 December 2018: Nil).

V. NOTES TO THE INTERIM FINANCIAL REPORT (continued)

4 Intangible assets

The Group

| | Land use rights | Joint operation | | Software | | Passenger service licenses | | Station and toll bridge franchise operating rights | | Line license use rights | | Others | | Total |
|--|------------------|-----------------|-----------------|---------------|------------------|----------------------------|----------------|--|-----|-------------------------|-----|--------|-----|-------|
| | | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | RMB | |
| Cost | | | | | | | | | | | | | | |
| Balance as at 31 December 2018 | 858,533,697.82 | 42,747,190.60 | 56,433,491.77 | 38,397,151.83 | 387,478,456.26 | 211,240,494.78 | 4,246,379.48 | 1,601,076,862.54 | | | | | | |
| Additions during the period | 3,317,500.00 | - | 4,666,403.63 | - | - | 25,281,235.70 | - | 33,265,189.33 | | | | | | |
| Foreign currency financial statement translation differences | 151,237.66 | - | - | 153,378.26 | - | - | - | 304,615.92 | | | | | | |
| Balance as at 30 June 2019 | 862,002,435.48 | 42,747,190.60 | 63,099,895.40 | 38,550,530.09 | 387,478,456.26 | 236,521,730.48 | 4,246,379.48 | 1,634,646,617.79 | | | | | | |
| Less: Accumulated amortisation | | | | | | | | | | | | | | |
| Balance 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) | | | | | | |
| Charges during the period | (9,022,434.28) | (1,950,890.09) | (4,180,922.47) | - | (9,063,990.18) | (6,542,588.95) | (58,926.32) | (32,819,752.29) | | | | | | |
| Foreign currency financial statement translation differences | (55,434.49) | - | - | - | - | - | - | (55,434.49) | | | | | | |
| Balance as at 30 June 2019 | (141,035,263.23) | (17,558,010.77) | (34,592,877.22) | - | (257,869,220.27) | (120,722,886.30) | (1,351,446.34) | (573,129,704.13) | | | | | | |
| Carrying amount | | | | | | | | | | | | | | |
| As at 30 June 2019 | 720,967,172.25 | 25,189,179.83 | 28,507,018.18 | 38,550,530.09 | 129,609,235.99 | 115,798,844.18 | 2,894,933.14 | 1,061,516,913.66 | | | | | | |
| 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 | | | | | | |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

4 Intangible assets *(continued)*

The Group *(continued)*

As at 30 June 2019, land use rights with carrying amount of RMB88,667,372.03 (31 December 2018: RMB89,478,176.85) were obtained through allocation.

As at 30 June 2019, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right with carrying amount of RMB82,985,337.22 (31 December 2018: RMB91,440,914.14) was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Group as mentioned in Note V. 9. In addition, land use rights with carrying amount of RMB159,669,488.35 (31 December 2018: RMB171,389,758.04) were pledged for bank loans, among which, RMB123,666,533.54 were pledged for long-term loans (31 December 2018: RMB155,809,179.83), RMB36,002,954.81 were pledged for short-term loans (31 December 2018: RMB15,580,578.21), and RMB931,902.00 were pledged for long-term payables (31 December 2018: RMB931,902.00). As at 30 June 2019, there were no other restricted intangible assets of the Group.

As at 30 June 2019, the carrying amount of the land use rights located in certain cities without certificates of title was RMB11,261,923.70 (31 December 2018: RMB14,685,234.20).

The Company

| | Software RMB | Toll bridge franchise operating rights RMB | Total RMB |
|---------------------------------------|-----------------|---|------------------|
| Cost | | | |
| Balance as at 31 December 2018 | 43,576,400.83 | 334,103,442.14 | 377,679,842.97 |
| Additions during the period | 2,240,500.00 | - | 2,240,500.00 |
| Balance as at 30 June 2019 | 45,816,900.83 | 334,103,442.14 | 379,920,342.97 |
| Less: Accumulated amortisation | | | |
| Balance as at 31 December 2018 | (26,507,373.26) | (242,662,528.00) | (269,169,901.26) |
| Charges during the period | (2,543,775.42) | (8,455,576.92) | (10,999,352.34) |
| Balance as at 30 June 2019 | (29,051,148.68) | (251,118,104.92) | (280,169,253.60) |
| Carrying amount | | | |
| As at 30 June 2019 | 16,765,752.15 | 82,985,337.22 | 99,751,089.37 |
| As at 31 December 2018 | 17,069,027.57 | 91,440,914.14 | 108,509,941.71 |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

5 Short-term loans

| | | The Group | | The Company | |
|-----------------------------|--------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
| | | As at 30 June 2019 RMB | As at 31 December 2018 RMB | As at 30 June 2019 RMB | As at 31 December 2018 RMB |
| Unsecured loans | | 72,000,000.00 | 80,000,000.00 | 40,000,000.00 | 40,000,000.00 |
| Including: Loans from banks | | 42,000,000.00 | 40,000,000.00 | 40,000,000.00 | 40,000,000.00 |
| Loans from GCG Finance | 4(b) | 30,000,000.00 | 40,000,000.00 | - | - |
| Loans secured by mortgages | Note 1 | 69,800,000.00 | 29,800,000.00 | - | - |
| Loans secured by pledges | Note 2 | 25,000,000.00 | - | - | - |
| Total | Note 3 | <u>166,800,000.00</u> | <u>109,800,000.00</u> | <u>40,000,000.00</u> | <u>40,000,000.00</u> |

Note 1: For the details of assets pledged for secured loans as at 30 June 2019 and 31 December 2018, please refer to Note V. 3 and 4.

Note 2: As at 30 June 2019, the loans from Shanwei Rural Commercial Bank were secured by the pledged properties, which is the central grants receivable by subsidiaries of the Group, including Shanwei City Yueyun Public Transportation Co., Ltd., Haifeng Yueyun Public Transportation Co., Ltd., Lufeng Yueyun Public Transportation Co., Ltd. and Luhe Yueyun Public Transportation Co., Ltd., regarding to the 2017 & 2018 energy conservation and the operation of new energy public vehicles.

Note 3: As at 30 June 2019, the Group's short-term loans were borrowings from banks and other financial institutions within 1 year, which bear interest rates ranging from 4.26% to 4.35% per annum (31 December 2018: 4.26% to 4.35% per annum). The Group had no overdue short-term loans as at 30 June 2019 (31 December 2018: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

6 Accounts payable

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

| | The Group | | The Company | |
|---|---------------------------------|---|---------------------------------|---|
| | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
| Ageing | | | | |
| Within 3 months (inclusive) | 393,667,667.38 | 585,826,661.79 | 27,285,470.69 | 39,420,485.76 |
| Over 3 months and within 6 months (inclusive) | 55,139,789.88 | 39,495,554.32 | 111,901.77 | 276,517.65 |
| Over 6 months and within 1 year (inclusive) | 175,870,365.29 | 81,254,774.62 | 1,472,247.74 | 1,689,555.43 |
| Over 1 year and within 2 years (inclusive) | 45,047,117.40 | 43,061,775.35 | 1,126,977.71 | 733,998.78 |
| Over 2 years and within 3 years (inclusive) | 7,130,359.94 | 8,814,955.24 | 887,118.11 | 2,977,858.56 |
| Over 3 years | 30,821,321.18 | 27,499,879.87 | 3,583,119.21 | 3,428,119.21 |
| Total | <u>707,676,621.07</u> | <u>785,953,601.19</u> | <u>34,466,835.23</u> | <u>48,526,535.39</u> |

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

| | The Group | | The Company | |
|---|---------------------------------|---|---------------------------------|---|
| | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
| Items | | | | |
| Materials payable | 88,328,459.91 | 116,842,610.55 | 26,350,539.90 | 43,574,138.43 |
| Transportation fee payable | 159,091,660.55 | 123,813,486.50 | - | - |
| Contract payments for cars | 229,155,563.49 | 357,766,982.87 | - | - |
| Progress payments for constructions | 145,097,376.76 | 120,150,478.82 | 2,281,081.58 | 3,138,313.08 |
| Contract payments for expressway service zone | 30,156,629.48 | 7,469,545.93 | - | - |
| Fuel expenses payable | 29,607,885.72 | 12,140,234.77 | - | - |
| Service fees | 8,691,884.66 | 15,015,428.80 | - | - |
| Others | 17,547,160.50 | 32,754,832.95 | 5,835,213.75 | 1,814,083.88 |
| Total | <u>707,676,621.07</u> | <u>785,953,601.19</u> | <u>34,466,835.23</u> | <u>48,526,535.39</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

7 Non-current liabilities due within one year

| | | The Group | | The Company | |
|--|--------|---------------------------------|---|---------------------------------|---|
| | | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
| Long-term loans due within one year | 8 | 256,847,081.52 | 174,492,358.73 | - | - |
| Long-term payables due within one year | | 27,889,631.00 | 35,447,842.40 | - | - |
| Deferred income due within one year | | - | 48,629,127.26 | - | - |
| Lease liabilities due within one year | 25 (2) | 161,855,036.15 | 153,862,918.43 | 4,239,776.18 | 8,285,468.07 |
| Total | | <u>446,591,748.67</u> | <u>412,432,246.82</u> | <u>4,239,776.18</u> | <u>8,285,468.07</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

8 Long-term loans

| | | The Group | |
|--|---------|---------------------------------|-------------------------------------|
| | | As at 30 June 2019 RMB | As at 31 December 2018 RMB |
| | Note VI | | |
| Unsecured loans | | 684,266,782.55 | 630,073,915.15 |
| Including: Loans from banks | | 39,116,782.55 | 42,873,915.15 |
| Loans from GCG Finance | 4(b) | 645,150,000.00 | 587,200,000.00 |
| Loans secured by mortgages | Note 1 | 69,659,917.99 | 94,772,765.15 |
| Guaranteed loans | Note 2 | 50,749,794.99 | 63,163,451.67 |
| Guaranteed and mortgaged loans | Note 3 | 81,849,028.58 | 83,348,674.29 |
| Unsecured and mortgaged loans | Note 4 | 107,507,254.15 | 74,537,264.07 |
| | | | |
| Total | Note 5 | 994,032,778.26 | 945,896,070.33 |
| | | | |
| Less: Long-term loans due within one year | | | |
| Including: Unsecured loans | | (200,997,771.42) | (93,668,637.36) |
| Loans secured by mortgages | | (19,150,193.37) | (48,687,943.77) |
| Guaranteed loans | | (23,597,188.36) | (24,827,313.32) |
| Guaranteed and mortgaged loans | | (11,101,928.37) | (7,308,464.28) |
| Unsecured and mortgaged loans | | (2,000,000.00) | - |
| | | | |
| Sub-total (Note V.7) | | (256,847,081.52) | (174,492,358.73) |
| | | | |
| Long-term loans due after 1 year | | 737,185,696.74 | 771,403,711.60 |
| | | | |
| Including: Due after 1 year but within 2 years | | 300,648,614.92 | 403,627,330.81 |
| Due after 2 years but within 5 years | | 436,537,081.82 | 367,776,380.79 |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

8 Long-term loans *(continued)*

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

Note 2: As at 30 June 2019 and 31 December 2018, the Group's guaranteed loans were from the subsidiary Foshan City Yueyun Public Transportation Co., Ltd., which were guaranteed by the third party, Zhengzhou Anchi Bonding Co., Ltd.

Note 3: As at 30 June 2019 and 31 December 2018, Mortgaged and guaranteed 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.

Note 4: As at 30 June 2019 and 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.

Note 5: As at 30 June 2019, the Group's long-term loans were borrowings from banks and other financial institutions with interest rates ranging from 4.28% to 4.90% per annum (31 December 2018: 4.28% to 5.23% per annum). The Group did not have any expired but outstanding long-term loans as at 30 June 2019 (31 December 2018: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

9 Bonds payable

The Group and the Company

| Items | Face value RMB | Issuing date | Period | Issuing amount RMB | Carrying | Amortisation | Carrying |
|---------------------------------------|-------------------|--------------|---------|-----------------------|---------------------------------------|-----------------------|-------------------------------------|
| | | | | | amount as at 1 January 2019 RMB | for the period RMB | amount as at 30 June 2019 RMB |
| 2014 corporate bond (first phase) | 400,000,000.00 | 28/09/2015 | 7 years | 400,000,000.00 | 397,924,333.14 | 257,620.22 | 398,181,953.36 |
| 2014 corporate bond (second phase) | 340,000,000.00 | 17/12/2015 | 5 years | 340,000,000.00 | 338,415,295.67 | 336,886.14 | 338,752,181.81 |
| Total | 740,000,000.00 | | | 740,000,000.00 | 736,339,628.81 | 594,506.36 | 736,934,135.17 |

The bonds are long-term bonds issued by the Company with the Morgan Stanley Huaxin Securities Company Limited as a lead underwriter. Relevant interest is calculated and paid annually at a coupon rate of 4.20% and 4.50% per annum respectively and the principal will be returned upon maturity, with the Company being entitled at its option to adjust its bond rate and its investors being entitled to request the Company to redeem all or a portion of the bonds after five and three years after the issue date respectively. In connection with the issuance of these bonds, GCGC provided an unconditional and irrevocable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Retained earnings

| | The Group | |
|--|---------------------------------------|---------------------------|
| | For the six months ended 30 June | |
| | 2019 RMB | 2018 RMB (Restated) |
| Retained earnings at the beginning of the period (Restated) | 1,226,390,895.15 | 1,153,257,858.61 |
| Add: Net profit attributable to the shareholders of the Company for the period | 185,652,397.94 | 198,312,295.30 |
| Less: Final dividends in respect of the previous financial year, approved and declared during the interim period | Note 1 (135,974,126.00) | (127,975,648.00) |
| Business combinations involving enterprises under common control | - | (88,466,457.62) |
| Retained earnings at the end of the period | Note 2 <u>1,276,069,167.09</u> | <u>1,135,128,048.29</u> |
| Including: Interim dividend approved and declared after the balance sheet date of the interim period | Note 3 <u>-</u> | <u>-</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

10 Retained earnings *(continued)*

| | | The Company | |
|--|--------|----------------------------------|-------------------------|
| | | For the six months ended 30 June | |
| | | 2019 | 2018 |
| | | RMB | RMB |
| | | | (Restated) |
| Retained earnings at the beginning of the period (Restated) | | 253,322,919.63 | 229,817,381.85 |
| Add: Net profit for the period | | 42,327,472.10 | 90,515,108.96 |
| Less: Final dividends in respect of the previous financial year, approved and declared during the interim period | Note 1 | <u>(135,974,126.00)</u> | <u>(127,975,648.00)</u> |
| Retained earnings at the end of the period | Note 4 | <u>159,676,265.73</u> | <u>192,356,842.81</u> |
| Including: Interim dividend approved and declared after the balance sheet date of the interim period | Note 3 | <u>-</u> | <u>-</u> |

Note 1: A final dividend of RMB0.17 per share (tax included) for year 2018 was approved for distribution by shareholders at the Annual General Meeting held on 17 June 2019. The total amount of 2018 final dividend was RMB135,974,126.00, calculated based on the total number of shares of 799,847,800 (corresponding period in 2018: RMB0.16 per share (tax included), amounting to RMB127,975,648.00 in total).

Note 2: As at 30 June 2019, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB366,323,532.13 (31 December 2018: RMB366,366,703.44).

Note 3: The Board does not recommend distribution of an interim dividend for the period (corresponding period in 2018: Nil).

Note 4: As at 30 June 2019, the Company's distributable profits are RMB159,676,265.73 (31 December 2018: RMB253,322,919.63).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

11 Financial expenses

| | | The Group | | The Company | |
|--|--------|----------------------------------|----------------|----------------------------------|----------------|
| | | For the six months ended 30 June | | For the six months ended 30 June | |
| | | 2019 | 2018 | 2019 | 2018 |
| | | RMB | RMB | RMB | RMB |
| | | | (Restated) | | (Restated) |
| Interest expenses from loans and bonds | Note 1 | 42,477,933.42 | 34,671,095.53 | 17,304,656.81 | 17,218,644.81 |
| Less: Borrowing costs capitalised | Note 2 | 3,211,791.14 | 2,904,217.35 | - | - |
| Net interest expenses | | 39,266,142.28 | 31,766,878.18 | 17,304,656.81 | 17,218,644.81 |
| Less: Interest income | | 8,316,437.69 | 10,756,159.67 | 5,252,833.11 | 9,338,514.41 |
| Net exchange gains | | (1,859,488.37) | (1,698,980.86) | - | (1,854,076.75) |
| Amortisation of unrecognised financial charges | | 4,301,836.03 | 3,047,646.47 | - | - |
| Interest expenses from lease liabilities | | 50,780,212.58 | 48,681,929.16 | 151,543.46 | 339,939.67 |
| Others | | 3,616,970.52 | 4,419,895.77 | 490,441.06 | 178,042.09 |
| Total | | 87,789,235.35 | 75,461,209.05 | 12,693,808.22 | 6,544,035.41 |

Note 1: Interest expenses related to bank loans of the Group for current period due within 5 years were RMB26,665,011.45 (corresponding period in 2018: RMB18,921,480.56). Interest expenses related to other borrowings were RMB15,812,921.97 (corresponding period in 2018: RMB15,749,614.97).

Interest expenses related to loans of the Company for current period due within 5 years were RMB1,491,734.84 (corresponding period in 2018: RMB1,469,029.84). Interest expenses related to other borrowings were RMB15,812,921.97 (corresponding period in 2018: RMB15,749,614.97).

Note 2: Capitalised interest expenses of the Group for current period were RMB3,211,791.14 (corresponding period in 2018: RMB2,904,217.35).

There was no capitalised interest expense of the Company for current period (corresponding period in 2018: Nil).

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

12 Impairment losses

| | The Group | |
|------------------------------|----------------------------------|---------------------|
| | For the six months ended 30 June | |
| | 2019 | 2018 |
| | RMB | RMB |
| Inventories | (39,220.00) | - |
| Long-term equity investments | 930,000.00 | - |
| Fixed assets | - | 665,909.49 |
| Other non-current assets | - | 2,383,522.75 |
| Total | <u>890,780.00</u> | <u>3,049,432.24</u> |

13 Accrual/(reversal) of credit losses

| | The Group | | The Company | |
|---------------------|----------------------------------|------------------------|----------------------------------|------------------------|
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | RMB | RMB | RMB | RMB |
| Accounts receivable | 2,446,011.46 | (32,318,700.98) | (4,319,315.69) | (16,869,658.65) |
| Other receivables | <u>3,217,726.43</u> | <u>(15,646,955.75)</u> | <u>(1,085,688.57)</u> | <u>(5,181,120.81)</u> |
| Total | <u>5,663,737.89</u> | <u>(47,965,656.73)</u> | <u>(5,405,004.26)</u> | <u>(22,050,779.46)</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

14 Government grants

The Group

Other income

| | | For the six months ended 30 June | |
|-------------------------------------|----------|----------------------------------|-----------------------|
| | | 2019 | 2018 |
| | | RMB | RMB |
| Government grants related to assets | Note (1) | 31,363,869.53 | 21,566,599.85 |
| Government grants related to income | Note (2) | 132,406,403.96 | 84,274,743.62 |
| Total | | <u>163,770,273.49</u> | <u>105,841,343.47</u> |

Non-operating income

| | | For the six months ended 30 June | |
|-------------------------------------|--|----------------------------------|---------------------|
| | | 2019 | 2018 |
| | | RMB | RMB |
| Government grants related to income | | <u>1,588,466.08</u> | <u>1,394,597.83</u> |

The Company

Non-operating income

| | | For the six months ended 30 June | |
|-------------------------------------|--|----------------------------------|----------|
| | | 2019 | 2018 |
| | | RMB | RMB |
| Government grants related to income | | <u>1,000,000.00</u> | <u>-</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

14 Government grants *(continued)*

(1) Government grants related to assets

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

| Items | Balance of | Additions during | Recognition as | Balance of |
|---|-----------------------|----------------------|----------------------|-----------------------|
| | deferred income | | | deferred income |
| | at the beginning | the period | other income | at the end |
| | of the period | | | of the period |
| | RMB | RMB | RMB | RMB |
| Subsidies for vehicles replacement | 8,306,665.52 | 347,287.49 | 1,251,640.21 | 7,402,312.80 |
| Subsidies for assets renovation | 87,485,505.47 | 2,300,000.00 | 3,466,203.40 | 86,319,302.07 |
| Tax subsidies for vehicle purchases | 13,289,111.39 | - | 212,765.94 | 13,076,345.45 |
| Subsidies of procurement of new energy vehicles | 133,195,864.17 | 18,658,830.00 | 25,369,672.87 | 126,485,021.30 |
| Software development subsidies | 300,000.00 | - | - | 300,000.00 |
| Other subsidies related to assets | 3,965,347.91 | 4,412,936.88 | 1,063,587.11 | 7,314,697.68 |
| Total | <u>246,542,494.46</u> | <u>25,719,054.37</u> | <u>31,363,869.53</u> | <u>240,897,679.30</u> |

(2) Government grants related to income

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

Impact on income statement items

(a) Offsetting against operation costs:

| Item | For the six months ended 30 June | |
|----------------|----------------------------------|----------------------|
| | 2019 RMB | 2018 RMB |
| Fuel subsidies | <u>57,230,690.18</u> | <u>46,909,583.69</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

14 Government grants *(continued)*

(2) Government grants related to income (continued)

(b) Recognising as other income:

| Items | For the six months ended 30 June | |
|--|----------------------------------|----------------------|
| | 2019 RMB | 2018 RMB |
| Subsidies for operation of bus lines | 43,651,800.00 | 22,197,416.29 |
| Subsidies for operation of new energy vehicles | 77,915,000.00 | 57,779,488.72 |
| Subsidies of elderly concessionary travel card | 9,836,329.26 | 3,296,638.59 |
| Other subsidies | 1,003,274.70 | 1,001,200.02 |
| Total | <u>132,406,403.96</u> | <u>84,274,743.62</u> |

(c) Recognising as non-operating income:

| Items | For the six months ended 30 June | |
|---------------------------------|----------------------------------|---------------------|
| | 2019 RMB | 2018 RMB |
| Subsidies for vehicle disposals | 364,000.00 | 1,102,283.20 |
| Other subsidies | 1,224,466.08 | 292,314.63 |
| Total | <u>1,588,466.08</u> | <u>1,394,597.83</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

15 Investment income

| | The Group | | The Company | |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | RMB | RMB | RMB | RMB |
| Income from investments using equity method | 18,781,071.17 | 22,616,451.30 | 5,859,953.42 | 13,096,117.02 |
| Others | (528,707.69) | (222,672.56) | 14,180,700.00 | - |
| Total | <u>18,252,363.48</u> | <u>22,393,778.74</u> | <u>20,040,653.42</u> | <u>13,096,117.02</u> |

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

16 Gains from asset disposals

| | The Group | |
|---|----------------------------------|-------------------|
| | For the six months ended 30 June | |
| | 2019 | 2018 |
| | RMB | RMB |
| | | (Restated) |
| Gains on disposals of fixed assets | 2,197,528.21 | 262,810.93 |
| Gains on disposals of right-of-use assets | 945,877.29 | 44,936.13 |
| Total | <u>3,143,405.50</u> | <u>307,747.06</u> |

17 Non-operating income

| | The Group | | The Company | |
|--|----------------------------------|---------------------|----------------------------------|-------------|
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | RMB | RMB | RMB | RMB |
| Gains on disposals of non-current assets | 1,391,813.24 | 384,519.47 | - | - |
| Government grants | 1,588,466.08 | 1,394,597.83 | 1,000,000.00 | - |
| Others | 2,768,033.88 | 2,519,489.37 | 187,221.53 | 0.84 |
| Total | <u>5,748,313.20</u> | <u>4,298,606.67</u> | <u>1,187,221.53</u> | <u>0.84</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

18 Income tax expenses

| | The Group | | The Company | |
|--|----------------------------------|----------------------|----------------------------------|----------------------|
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | RMB | RMB | RMB | RMB |
| | | (Restated) | | (Restated) |
| Current tax expenses for the period based on tax law and regulations | 80,865,438.28 | 73,369,346.71 | 5,988,040.09 | 16,195,273.45 |
| Changes in deferred tax | (4,754,742.56) | 8,861,943.66 | 3,309,074.02 | 9,859,584.18 |
| Adjustment of tax filing differences | 504,807.79 | (604,197.20) | 1,794,167.67 | 474,857.95 |
| Total | <u>76,615,503.51</u> | <u>81,627,093.17</u> | <u>11,091,281.78</u> | <u>26,529,715.58</u> |

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

19 Profit before income tax

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

| | The Group | | The Company | |
|---|----------------------------------|-----------------|----------------------------------|-----------------|
| | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2019 | 2018 | 2019 | 2018 |
| | RMB | RMB | RMB | RMB |
| | | (Restated) | | (Restated) |
| Depreciation of fixed assets | 279,743,268.51 | 241,976,872.06 | 766,086.23 | 563,860.49 |
| Depreciation of investment properties | 1,906,477.57 | 1,345,847.58 | - | - |
| Depreciation of right-of-use assets | 96,079,885.88 | 92,808,386.31 | 4,194,271.80 | 4,031,253.39 |
| Amortisation of intangible assets | 32,819,752.29 | 31,896,182.33 | 10,999,352.34 | 9,503,120.88 |
| Amortisation of long-term deferred expenses | 11,682,830.52 | 11,742,859.58 | 400,807.42 | 1,025,095.88 |
| Impairment losses | 890,780.00 | 3,049,432.24 | - | - |
| Accrual/(Reversal) of credit losses | 5,663,737.89 | (47,965,656.73) | (5,405,004.26) | (22,050,779.46) |
| Other rental expenses | 29,766,958.30 | 25,460,146.63 | 105,975.00 | - |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

20 Earnings per share

(a) Basic earnings per share

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

| | For the six months ended 30 June | |
|--|----------------------------------|-----------------------|
| | 2019 | 2018 |
| | RMB | RMB |
| | | (Restated) |
| Net profit attributable to shareholders of the Company | 185,652,397.94 | 198,312,295.30 |
| Weighted average number of ordinary shares in issue during the period | <u>799,847,800.00</u> | <u>799,847,800.00</u> |
| Basic earnings per share (RMB/share) | <u>0.23</u> | <u>0.25</u> |

(b) Diluted earnings per share

The amounts of diluted earnings per share are the same as basic earnings per share as there were no dilutive potential ordinary shares in existence for the six months ended 30 June 2019 and 2018.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement

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

| | The Group | |
|--|----------------------------------|------------------|
| | For the six months ended 30 June | |
| | 2019 | 2018 |
| | RMB | RMB |
| | | (Restated) |
| Net profit | 234,204,577.77 | 224,832,594.82 |
| Add: Losses/(reversal) for assets impairment and credit losses | 6,554,517.89 | (44,916,224.49) |
| Depreciation of fixed assets | 279,743,268.51 | 241,976,872.06 |
| Depreciation of right-of-use assets | 96,079,885.88 | 92,808,386.31 |
| Depreciation of investment properties | 1,906,477.57 | 1,345,847.58 |
| Amortisation of intangible assets | 32,819,752.29 | 31,896,182.33 |
| Amortisation of long-term deferred expenses | 11,682,830.52 | 11,742,859.58 |
| (Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets | (1,938,384.88) | 2,318,076.35 |
| Financial expenses | 93,835,124.30 | 84,701,690.30 |
| Investment income | (18,252,363.48) | (22,393,778.74) |
| (Increase)/decrease in deferred tax assets | (10,801,955.64) | 10,316,209.87 |
| Increase in deferred tax liabilities | 6,047,213.08 | 3,167,423.10 |
| Decrease/(increase) in inventories | 18,255,929.32 | (71,889,754.92) |
| Increase in operating receivables | (137,421,246.91) | (34,524,428.06) |
| Decrease/(increase) in operating payables | 59,672,632.48 | (502,224,296.17) |
| Changes in special reserve | 940,207.60 | (583,694.97) |
| Changes in restricted cash | 11,665,631.11 | (10,120,875.58) |
| Decrease/(increase) in long-term receivables | 4,752,750.15 | (1,118,499.42) |
| Increase in long-term payables | (879,412.48) | (11,695,229.78) |
| | 688,867,435.08 | 5,639,360.17 |
| Net cash inflow from operating activities | 688,867,435.08 | 5,639,360.17 |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(continued)*

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

| | The Company | |
|---|----------------------------------|-------------------------|
| | For the six months ended 30 June | |
| | 2019 | 2018 |
| | RMB | RMB |
| | | (Restated) |
| Net profit | 42,327,472.10 | 90,515,108.96 |
| Add: Reversal of credit losses | (5,405,004.26) | (22,050,779.46) |
| Depreciation of fixed assets | 766,086.23 | 563,860.49 |
| Depreciation of right-of-use assets | 4,194,271.80 | 4,031,253.39 |
| Amortisation of intangible assets | 10,999,352.34 | 9,503,120.88 |
| Amortisation of long-term deferred expenses | 400,807.42 | 1,025,095.88 |
| Financial expenses | 13,308,186.28 | 9,614,707.69 |
| Investment income | (20,040,653.42) | (13,096,117.02) |
| Decrease in deferred tax assets | 3,309,074.02 | 9,859,584.18 |
| Decrease/(increase) in inventories | 103,781.77 | (29,672,683.55) |
| Changes in special reserve | 57,799.92 | 17,739.42 |
| Decrease in operating receivables | 42,342,975.13 | 307,174,359.01 |
| Decrease in operating payables | (3,073,255.41) | (542,217,976.39) |
| | <u>89,290,893.92</u> | <u>(174,732,726.52)</u> |
| Net cash inflow/(outflow) from operating activities | | |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(continued)*

(2) Change in cash and cash equivalents:

| | The Group | |
|---|---|-------------------------|
| | For the six months ended 30 June | |
| | 2019 | 2018 |
| | RMB | RMB |
| Cash and cash equivalents at the end of the period (Note) | 1,222,862,132.10 | 1,240,336,738.37 |
| Less: Cash and cash equivalents at the beginning of the period (Note) | 1,114,271,816.51 | <u>1,857,779,421.60</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>108,590,315.59</u> | <u>(617,442,683.23)</u> |

Note: As at 30 June 2019, the balance of cash included deposits for bank acceptance bills, letter of guarantee and performance bonds, bidding deposits and housing repairment fund in an aggregate amount of RMB17,220,252.01 (31 December 2018: RMB28,885,883.12), which were deducted from the balance of cash and cash equivalents.

| | The Company | |
|--|---|-------------------------|
| | For the six months ended 30 June | |
| | 2019 | 2018 |
| | RMB | RMB |
| Cash and cash equivalents at the end of the period | 767,265,708.22 | 706,866,726.79 |
| Less: Cash and cash equivalents at the beginning of the period | 622,984,930.41 | <u>929,531,026.45</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>144,280,777.81</u> | <u>(222,664,299.66)</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(continued)*

(3) Details of cash and cash equivalents

| | The Group | |
|--|------------------------------|------------------------------|
| | As at 30 June 2019 RMB | As at 30 June 2018 RMB |
| (a) Cash at bank and on hand | | |
| - Cash on hand | 13,588,053.95 | 13,413,557.54 |
| - Bank deposits available on demand | 1,209,274,078.15 | 1,226,923,180.83 |
| - Restricted cash | 17,220,252.01 | 28,695,582.48 |
| (b) Cash and cash equivalents at the end of the period | 1,240,082,384.11 | 1,269,032,320.85 |
| Less: Restricted cash | 17,220,252.01 | 28,695,582.48 |
| (c) Cash and cash equivalents available on demand at the end of the period | 1,222,862,132.10 | 1,240,336,738.37 |

| | The Company | |
|--|------------------------------|------------------------------|
| | As at 30 June 2019 RMB | As at 30 June 2018 RMB |
| (a) Cash at bank and on hand | | |
| - Cash on hand | - | - |
| - Bank deposits available on demand | 767,265,708.22 | 706,866,726.79 |
| (b) Cash and cash equivalents at the end of the period | 767,265,708.22 | 706,866,726.79 |
| (c) Cash and cash equivalents available on demand at the end of the period | 767,265,708.22 | 706,866,726.79 |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

21 Supplement to cash flow statement *(continued)*

- (4) Cash receive/payment 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 some related parties.

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

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

22 Segment reporting

Based on the Group's internal organisation structure, management requirement and internal reporting policy, the operations of the Group were classified into three segments, including travel services, material logistics and other business. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Segment reporting *(continued)*

(1) Segment reporting

| | Travel services RMB | Material logistics RMB | Other business RMB | Inter-segment elimination RMB | Total RMB |
|--|--------------------------|---------------------------|-----------------------|-------------------------------------|--------------------------|
| For the six months ended 30 June 2019 | | | | | |
| Operating income | | | | | |
| External income | 2,945,798,165.50 | 214,275,184.31 | 3,889,496.31 | - | 3,163,962,846.12 |
| Inter-segment income | - | - | 3,179,687.17 | (3,179,687.17) | - |
| Total segment operating income | 2,945,798,165.50 | 214,275,184.31 | 7,069,183.48 | (3,179,687.17) | 3,163,962,846.12 |
| Total segment operating costs | 2,351,928,273.00 | 208,854,044.93 | 2,343,774.68 | (1,228,513.80) | 2,561,897,578.81 |
| Segment operating profit | <u>299,197,900.57</u> | <u>13,049,381.11</u> | <u>1,732,778.00</u> | <u>(2,799,833.65)</u> | <u>311,180,226.03</u> |
| For the six months ended 30 June 2018 | | | | | |
| Operating income | | | | | |
| External income | 2,600,572,498.29 | 579,920,313.39 | 2,983,769.25 | - | 3,183,476,580.93 |
| Inter-segment income | - | - | 3,940,106.01 | (3,940,106.01) | - |
| Total segment operating income | 2,600,572,498.29 | 579,920,313.39 | 6,923,875.26 | (3,940,106.01) | 3,183,476,580.93 |
| Total segment operating costs (Restated) | 2,058,640,427.06 | 534,533,399.22 | 3,217,736.93 | (42,295.28) | 2,596,349,267.93 |
| Segment operating profit (Restated) | <u>233,124,681.84</u> | <u>74,423,431.84</u> | <u>521,063.36</u> | <u>(310,565.81)</u> | <u>307,758,611.23</u> |
| As at 30 June 2019 | | | | | |
| Total segment assets | <u>13,106,403,971.80</u> | <u>30,914,615.70</u> | <u>41,621,347.69</u> | <u>(2,815,839,944.01)</u> | <u>10,363,099,991.18</u> |
| Total segment liabilities | <u>8,049,661,257.10</u> | <u>15,796,947.55</u> | <u>53,821,890.39</u> | <u>(1,224,841,284.09)</u> | <u>6,894,438,810.95</u> |
| As at 31 December 2018 | | | | | |
| Total segment assets (Restated) | <u>12,532,269,467.72</u> | <u>30,868,726.02</u> | <u>40,553,542.25</u> | <u>(2,557,045,315.35)</u> | <u>10,046,646,420.64</u> |
| Total segment liabilities (Restated) | <u>7,507,040,930.75</u> | <u>18,583,961.48</u> | <u>54,011,017.78</u> | <u>(918,078,071.38)</u> | <u>6,661,557,838.63</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

22 Segment reporting *(continued)*

(2) Geographic information

The Group's operating income comes from mainland China and Hong Kong, among which, the income comes from Hong Kong amounted to RMB165,401,859.40 in the current period (corresponding period in 2018: RMB128,741,583.16). As at 30 June 2019, the Group's non-current assets held by the Hong Kong operations amounted to RMB213,541,183.01 (31 December 2018 (restated): RMB221,993,540.96).

(3) Major customers

No operating income from one single customer of the Group was above 10% of the Group's total operating income for the current period and the corresponding period of 2018.

23 Net current (liabilities)/assets

| | The Group | | The Company | |
|----------------------------------|------------------------------|--|------------------------------|--|
| | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
| Current assets | 2,605,439,173.69 | 2,415,706,877.65 | 1,098,444,629.62 | 926,904,939.80 |
| Less: Current liabilities | 2,683,238,265.99 | 2,480,837,278.44 | 982,338,614.35 | 720,662,771.27 |
| Net current (liabilities)/assets | <u>(77,799,092.30)</u> | <u>(65,130,400.79)</u> | <u>116,106,015.27</u> | <u>206,242,168.53</u> |

24 Total assets less current liabilities

| | The Group | | The Company | |
|---------------------------------------|------------------------------|--|------------------------------|--|
| | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
| Total assets | 10,363,099,991.18 | 10,046,646,420.64 | 3,083,340,010.82 | 2,914,599,240.00 |
| Less: Current liabilities | 2,683,238,265.99 | 2,480,837,278.44 | 982,338,614.35 | 720,662,771.27 |
| Total assets less current liabilities | <u>7,679,861,725.19</u> | <u>7,565,809,142.20</u> | <u>2,101,001,396.47</u> | <u>2,193,936,468.73</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

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

25 Leases

(1) *Right-of-use assets*

The Group

| | Buildings RMB | Transportation vehicles RMB | Lease of land RMB | Others RMB | Total RMB |
|---|-------------------------|-----------------------------------|------------------------|------------------------|-------------------------|
| Cost | | | | | |
| Balance as at 31 December 2018 (Restated) | 2,212,709,783.00 | 255,765,698.27 | 109,253,783.42 | 22,748,493.32 | 2,600,477,758.01 |
| Additions during the period | 239,849,277.32 | 404,067.34 | 252,274.95 | 51,078.47 | 240,556,698.08 |
| Decrease during the period | <u>(225,784,172.90)</u> | <u>-</u> | <u>(262,228.94)</u> | <u>(444,253.17)</u> | <u>(226,490,655.01)</u> |
| Balance as at 30 June 2019 | <u>2,226,774,887.42</u> | <u>256,169,765.61</u> | <u>109,243,829.43</u> | <u>22,355,318.62</u> | <u>2,614,543,801.08</u> |
| Accumulated depreciation | | | | | |
| Balance as at 31 December 2018 (Restated) | (581,681,182.62) | (73,917,050.76) | (30,085,739.21) | (12,707,688.07) | (698,391,660.66) |
| Balance as at 30 June 2019 | <u>(635,379,121.07)</u> | <u>(94,533,014.69)</u> | <u>(33,503,358.77)</u> | <u>(15,231,161.76)</u> | <u>(778,646,656.29)</u> |
| Carrying amount | | | | | |
| Balance as at 31 December 2018 (Restated) | <u>1,631,028,600.38</u> | <u>181,848,647.51</u> | <u>79,168,044.21</u> | <u>10,040,805.25</u> | <u>1,902,086,097.35</u> |
| Balance as at 30 June 2019 | <u>1,591,395,766.35</u> | <u>161,636,750.92</u> | <u>75,740,470.66</u> | <u>7,124,156.86</u> | <u>1,835,897,144.79</u> |

As at 30 June 2019 and 31 December 2018, transportation vehicles with carrying amount of RMB160,226,840.47 and RMB180,656,935.41 were pledged for obligations under leases.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL REPORT (continued)

25 Leases (continued)

(1) Right-of-use assets (continued)

The Company

| | Buildings RMB | Lease of land RMB | Total RMB |
|---|---------------------|----------------------|----------------------|
| Cost | | | |
| Balance as at 31 December 2018 (Restated) and 30 June 2019 | 11,333,410.04 | 10,676,101.04 | 22,009,511.08 |
| Accumulated depreciation | | | |
| Balance as at 31 December 2018 (Restated) | (3,347,513.01) | (6,662,052.63) | (10,009,565.64) |
| Balance as at 30 June 2019 | (7,307,642.76) | (6,896,194.68) | (14,203,837.44) |
| Carrying amount | | | |
| Balance as at 31 December 2018 (Restated) | <u>7,985,897.03</u> | <u>4,014,048.41</u> | <u>11,999,945.44</u> |
| Balance as at 30 June 2019 | <u>4,025,767.28</u> | <u>3,779,906.36</u> | <u>7,805,673.64</u> |

As at 30 June 2019, the Company had no right-of-use asset under pledged for obligations (31 December 2018: Nil).

(2) Lease liabilities

| | Note | The Group | | The Company | |
|---|------|------------------------------|--|------------------------------|--|
| | | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
| Long-term lease liabilities | | 1,938,120,844.43 | 2,001,310,700.22 | 6,239,830.44 | 10,226,246.97 |
| Less: Lease liabilities due within one year | V. 7 | <u>161,855,036.15</u> | <u>153,862,918.43</u> | <u>4,239,776.18</u> | <u>8,285,468.07</u> |
| Total | | <u>1,776,265,808.28</u> | <u>1,847,447,781.79</u> | <u>2,000,054.26</u> | <u>1,940,778.90</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1 Related parties where a controlling relationship exists:

The Group's ultimate holding company is GCGC.

2 Information of subsidiaries

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

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|--|-----------------------------|
| Express Cross-Border Coach Management Company Limited | Associate of the Group |
| Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd. | Associate of the Group |
| Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd. | Associate of the Group |
| Guangdong Guangye Yueyun Natural Gas Co., Ltd. | Associate of the Group |
| Guangzhou Tianhe Coach Terminal Co., Ltd. | Associate of the Group |
| Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. | Associate of the Group |
| Guangdong Province Shenshan High Speed Passenger Traffic Co., Ltd. | Associate of the Group |
| Shantou City Automobile Passenger Traffic Center Co., Ltd. | Associate of the Group |
| Jiangmen Guangjiang Expressway Passenger Co., Ltd. | Associate of the Group |
| Qingyuan Zhongguan Development Co., Ltd. | Associate of the Group |
| Lufeng Shenshan Expressway Company Limited | Associate of the Group |
| Guangdong Wangshangfei Logistics Technology Co., Ltd. | Associate of the Group |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|---|---|
| Shaoguan Libao Technology Co., Ltd. | Associate of the Group |
| CNPC Yueyun Natural Gas Co., Ltd. | Associate of the Group |
| Guangdong Humen Bridge Company Limited [#] | Joint venture of the ultimate holding company |
| Hui-Shen (Yantian) Expressway Huizhou Company Limited | Joint venture of the ultimate holding company |
| Zhaoqing Yuezhao Expressway Company Limited | Joint venture of the ultimate holding company |
| Guangdong Guangzhu Expressway West Section Company Limited [#] | Joint venture of the ultimate holding company |
| Foshan Guang-San Expressway Company Limited | Associate of the ultimate holding company |
| Guangdong Feida Traffic Engineering Company Limited | Associate of the ultimate holding company |
| Guangdong Jingzhu Expressway Guangzhu North Section Company Limited | Associate of the ultimate holding company |
| Jiangmen City Jiang-He Expressway Company Limited | Associate of the ultimate holding company |
| Guangdong Shenzhen-Shantou (Eastern Section) Expressway Company Limited | Associate of the ultimate holding company |
| Shenzhen Huiyan Expressway Company Limited | Associate of the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|--|--|
| Guangdong Communications and Telecommunications Co., Ltd. | Associate of the ultimate holding company |
| 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 |
| Guangdong Oriental Thought Technology Company Limited | Controlled by the ultimate holding company |
| Guangdong Xinyue Communications Investment Company Limited [#] | Controlled by the ultimate holding company |
| Yueyun Investment Management [#] | Controlled by the ultimate holding company |
| Guangdong Bo-Da Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Guangle Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong He-Hui Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Jiangzhong Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Kai Yang Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Litong Properties Investment Company Limited [#] | Controlled by the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|---|--|
| Guangdong Maozhan Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Meihe Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Shanfen Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Provincial Freeway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Provincial Changda Highway Engineering Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Taishan Coastal Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Yang-Mao Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Yu-Zhan Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Yue Dong Freeway Industry Development Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Yue-Gan Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Yun-Wu Expressway Company Limited [#] | Controlled by the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|--|--|
| Guangdong Zhaoyang Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangfo Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guang-Shen-Zhu Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangzhou Newsoft Technology Company Limited | Controlled by the ultimate holding company |
| Guangzhou Xin Yue Asphalt Company Limited [#] | Controlled by the ultimate holding company |
| Heyuan He-Long Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Jingzhu Expressway Guangzhu Section Company Limited [#] | Controlled by the ultimate holding company |
| Weisheng Transportation Enterprises Company Limited ("Weisheng Transportation") [#] | Controlled by the ultimate holding company |
| Xinyue Company Limited [#] | Controlled by the ultimate holding company |
| Yunfu City Guangyun Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Western Coastal Expressway Operation Company Limited | Controlled by the ultimate holding company |
| Guangdong Western Shen-Shan Expressway Company Limited [#] | Controlled by the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|---|--|
| Guangdong Gao-Da Property Development Company Limited | Controlled by the ultimate holding company |
| Guangdong Province Gongbei Vehicles Transportation Company Limited [#] | Controlled by the ultimate holding company |
| Kee Kwan Motor Road Company Limited | Controlled by the ultimate holding company |
| Guangdong Province Western Coastal Expressway Xinhui Section Company Limited [#] | Controlled by the ultimate holding company |
| Weisheng Freight Company Limited | Controlled by the ultimate holding company |
| Guangdong High Science and Technology Investment Company Limited | Controlled by the ultimate holding company |
| Guangdong Guanghui Expressway Company Limited | Controlled by the ultimate holding company |
| Guangdong Lulutong Company Limited | Controlled by the ultimate holding company |
| Guangdong Luo-Yang Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Provincial Fokai Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Kwong Fat Transport Company Limited | Controlled by the ultimate holding company |
| Guangdong Ping-Xing Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong HuaLu Transport Technology Company Limited [#] | Controlled by the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|--|--|
| Guangdong Chao-Hui Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Er-Guang Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Yuejia Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Baomao Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Kee Kwan Travel Tour Transportation Hong Kong Company Limited | Controlled by the ultimate holding company |
| Zhaoqing City Guang-He Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Ninghua Expressway Company Limited [#] | Controlled by the ultimate holding company |
| Dongguan Weisheng International Logistics Company Limited [#] | Controlled by the ultimate holding company |
| Guangdong Communication Enterprise Investment Company Limited [#] | Controlled by the ultimate holding company |
| Weisheng Bus Company Limited | Controlled by the ultimate holding company |
| Guangdong Guangfozhao Expressway Company Limited [#] | Controlled by the ultimate holding company |
| GCG Finance [#] | Controlled by the ultimate holding company |
| Guangdong Chaoshan Circle Line Expressway Company Limited | Controlled by the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|--|--|
| Chaozhou City Yueyun Motor Transportation Co., Ltd. # | Controlled by the ultimate holding company |
| Guangdong Hui-Qing Expressway Company Limited | Controlled by the ultimate holding company |
| Guangdong Nan Yue Logistics International Services Company Limited | Controlled by the ultimate holding company |
| Guangdong Province Expressway Construction Materials Supply Station | Controlled by the ultimate holding company |
| Guangdong Road and Bridge Electronics Company Limited | Controlled by the ultimate holding company |
| Guangdong Kee Kwan Transportation Company Limited | Controlled by the ultimate holding company |
| Guangdong Province Western Coastal Expressway Yangjiang Company Limited# | Controlled by the ultimate holding company |
| Guangdong Highway Machinery Materials Co., Ltd. | Controlled by the ultimate holding company |
| Guangdong Traffic Group Inspection Center# | Controlled by the ultimate holding company |
| Guangdong Luda Expressway Company Limited | Controlled by the ultimate holding company |
| Guangdong Zhan-Xu Expressway Company Limited# | Controlled by the ultimate holding company |
| Guangdong Shen-Fo Expressway Co., Ltd. | Controlled by the ultimate holding company |
| Guangdong Shan-Mei Expressway Co., Ltd. # | Controlled by the ultimate holding company |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

| | Related party relationships |
|--|---|
| Guangdong Xin-Tai Expressway Co., Ltd. # | Controlled by the ultimate holding company |
| Guangdong Litong Science and Technology Investment Co., Ltd. # | Controlled by the ultimate holding company |
| Guangdong Union Electronic Service Co., Ltd. | Controlled by the ultimate holding company |
| Guangdong Gaoen Expressway Co., Ltd. | Controlled by the ultimate holding company |
| Guangdong Expressway Development Co., Ltd. | Controlled by the ultimate holding company |
| Guangdong South China Logistics Enterprise Company Limited# | As subsidiary of the Company before 31 March 2018, and as entity controlled by the ultimate holding company since 31 March 2018 |
| Guangdong Yueyun Jia Fu Industrial Co., Ltd. | As subsidiary of the Company before 31 March 2018, and as entity controlled by the ultimate holding company since 31 March 2018 |

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

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

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

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

| | For the six months ended 30 June | |
|--|----------------------------------|----------------------|
| | 2019 RMB | 2018 RMB |
| (1) Material logistics service income | | |
| Guangdong Provincial Changda Highway Engineering Company Limited | - | 22,839,004.47 |
| Guangdong South China Logistics Enterprise Company Limited | - | 13,104,732.52 |
| Guangzhou Xin Yue Asphalt Company Limited | - | 2,912,123.82 |
| Others | - | 225,651.08 |
| | <u>-</u> | <u>39,081,511.89</u> |
| Total | - | 39,081,511.89 |

The above material logistics service transactions have been conducted in accordance with the service contracts between the relevant companies of the Group and the above related parties, based on the Material Logistics Services Master Agreement signed between the Company and GCGC on 27 September 2005.

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------|
| | 2019 RMB | 2018 RMB |
| (2) Transportation services income | | |
| Express Cross-Border Coach Management Company Limited | 15,424,178.60 | 5,441,699.63 |
| Guangdong Wangshangfei Logistics Technology Co., Ltd. | 7,471,546.35 | - |
| Guangdong Chao-Hui Expressway Company Limited | 636,893.20 | - |
| Others | 2,402,317.26 | - |
| | <u>25,934,935.41</u> | <u>5,441,699.63</u> |
| Total | 25,934,935.41 | 5,441,699.63 |
| (3) Repairing income | <u>283,075.92</u> | <u>366,563.63</u> |
| (4) Rendering of other services income | <u>2,037,859.42</u> | <u>1,729,651.61</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

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

| | For the six months ended 30 June | |
|--|----------------------------------|----------------------|
| | 2019 RMB | 2018 RMB |
| (5) Road rescue service income | | |
| Guangdong Province Road & Bridge Construction Development Company Limited | 3,803,646.23 | 4,122,042.45 |
| Guangdong Provincial Freeway Company Limited | 3,976,521.23 | 2,939,603.77 |
| Guangdong Guangle Expressway Company Limited | 2,101,415.09 | 2,101,415.09 |
| Guangdong Chao-Hui Expressway Company Limited | 1,745,518.87 | 1,745,518.87 |
| Guangdong Provincial Highway Construction Company Limited | 1,667,858.49 | 1,622,264.15 |
| Guangdong Er-Guang Expressway Company Limited | 1,358,490.57 | 1,358,490.57 |
| Guangdong Guangfozhao Expressway Company Limited | 1,237,393.87 | 1,237,393.87 |
| Guangdong Yun-Wu Expressway Company Limited | 1,158,962.26 | 1,158,962.26 |
| Guangdong Bo-Da Expressway Company Limited | 1,054,323.11 | 1,054,323.11 |
| Guangdong Western Shen-Shan Expressway Company Limited | - | 1,036,917.45 |
| Guangdong Meihe Expressway Company Limited | 1,020,778.30 | 1,020,778.30 |
| Others | 10,436,047.17 | 10,402,925.77 |
| Total | <u>29,560,955.19</u> | <u>29,800,635.66</u> |
| (6) Rental income | | |
| Guangdong Chao-Hui Expressway Company Limited | - | 1,140,554.00 |
| Guangdong South China Logistics Enterprise Company Limited | 1,374,330.26 | - |
| Others | 1,137,793.24 | 3,268,622.79 |
| Total | <u>2,512,123.50</u> | <u>4,409,176.79</u> |
| (7) Sales of goods | | |
| Chaozhou City Yueyun Motor Transportation Co., Ltd. | 2,836,750.00 | 2,736,880.34 |
| Others | 219,091.93 | - |
| Total | <u>3,055,841.93</u> | <u>2,736,880.34</u> |

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

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

| | For the six months ended 30 June | |
|---|----------------------------------|-----------------------------|
| | 2019 RMB | 2018 RMB |
| (8) Purchases of materials | | |
| Xinyue Company Limited | - | 46,919,368.67 |
| Guangdong Guangye Yueyun Natural Gas Co., Ltd. | 20,486,047.32 | 26,108,938.87 |
| Guangdong South China Logistics Enterprise Company Limited | 104,822,544.31 | 882,905.34 |
| Guangzhou Xin Yue Asphalt Company Limited | - | 11,456.22 |
| Guangdong Yuehuahui Business Management Co., Ltd. | 1,482,253.63 | - |
| Others | 26,222.70 | - |
| | <hr/> | <hr/> |
| Total | <u>126,817,067.96</u> | <u>73,922,669.10</u> |

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

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

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------|
| | 2019 RMB | 2018 RMB (Restated) |
| (9) Expressway service zones operation expenses (Note) | | |
| Guang-Shen-Zhu Expressway Company Limited | 10,244,293.53 | 11,453,522.84 |
| Guangdong Guangzhu Expressway West Section Company Limited | 10,988,782.92 | 7,187,844.00 |
| Guangdong Provincial Highway Construction Company Limited | 5,593,526.74 | 5,455,392.06 |
| Guangdong Guangle Expressway Company Limited | 5,412,035.93 | 5,278,745.23 |
| Guangdong Yue-Gan Expressway Company Limited | 6,296,949.98 | 3,755,102.09 |
| Guangdong Province Road & Bridge Construction Development Company Limited | 6,079,659.35 | 3,908,766.59 |
| Guangdong Provincial Freeway Company Limited | 11,966,129.12 | 3,389,515.50 |
| Guangdong Guangfozhao Expressway Company Limited | 3,904,281.75 | 3,762,442.75 |
| Guangdong Kai Yang Expressway Company Limited | 3,129,984.21 | 3,108,361.63 |
| Guangdong Chao-Hui Expressway Company Limited | 3,184,714.57 | 3,103,546.10 |
| Guangdong Yun-Wu Expressway Company Limited | 2,380,166.21 | 2,324,514.26 |
| Guangdong Meihe Expressway Company Limited | 1,821,715.66 | 1,778,748.50 |
| Guangdong Yang-Mao Expressway Company Limited | 1,616,404.17 | 1,588,618.45 |
| Guangdong Bo-Da Expressway Company Limited | 2,600,021.59 | 1,981,638.52 |
| Guangdong Maozhan Expressway Company Limited | 1,577,960.50 | 1,207,365.02 |
| Guangfo Expressway Company Limited | 745,791.32 | 1,273,088.53 |
| Guangdong Provincial Fokai Expressway Company Limited | - | 938,223.35 |
| Guangdong Yu-Zhan Expressway Company Limited | - | 1,150,972.69 |
| Guangdong Er-Guang Expressway Company Limited | 2,782,930.65 | 1,411,203.37 |
| Jingzhu Expressway Guangzhu Section Company Limited | 1,316,831.20 | 1,344,218.77 |
| Guangdong Jiangzhong Expressway Company Limited | 1,577,491.89 | 1,563,064.27 |
| Guangdong Shanfen Expressway Company Limited | 1,014,492.26 | 875,967.55 |
| Guangdong Baomao Expressway Company Limited | 883,085.84 | 1,253,096.07 |
| Guangdong Zhaoyang Expressway Company Limited | 1,219,784.15 | 1,190,455.22 |
| Guangdong Expressway Development Co., Ltd. | 1,414,624.82 | - |
| Others | 11,696,550.72 | 11,598,220.87 |
| Total | 99,448,209.08 | 81,882,634.23 |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

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

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

Note: As described in Note II.32(2)(b), the Group has applied the new leases standard since 1 January 2019 and elected to restate the comparative information. Under the new leases standard, the expressway service zones operation expenses included the depreciation of right-of-use assets, interest expenses from lease liabilities and the variable lease payments not included in the measurement of the lease liability.

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------|
| | 2019 RMB | 2018 RMB (Restated) |
| (10) Rental expenses (Note) | | |
| Guangdong Litong Properties Investment Company Limited | 5,359,684.37 | 2,934,353.00 |
| Yueyun Investment Management | - | 26,934.00 |
| Others | 768,200.49 | 363,863.78 |
| Total | <u>6,127,884.86</u> | <u>3,325,150.78</u> |
| (11) Receipt of services | | |
| Dongguan Weisheng International Logistics Co., Ltd. | - | 986,528.81 |
| Guangdong Humen Bridge Company Limited | 2,704,616.77 | 2,993,459.13 |
| Others | 664,958.23 | 1,983,196.30 |
| Total | <u>3,369,575.00</u> | <u>5,963,184.24</u> |

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

Note: As described in Note II.32(2)(b), the Group has applied the new leases standard since 1 January 2019 and elected to restate the comparative information. Under the new leases standard, rental expenses included the depreciation of right-of-use assets, interest expenses from lease liabilities and expenses of short-term leases.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(b) Borrowings from related parties

| Related parties | Annual | Opening | Additions during | Repayments | Ending balance | Period |
|-----------------|-------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| | interest | Balance as at | | | the period | |
| | rate | 1 January 2019 | the period | during the period | 30 June 2019 | |
| | RMB | RMB | RMB | RMB | | |
| GCG Finance | 4.2630% ~ 4.6075% | <u>627,200,000.00</u> | <u>123,000,000.00</u> | <u>75,050,000.00</u> | <u>675,150,000.00</u> | 28/06/2016-08/08/2028 |

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

(c) Cash pool transaction

Pursuant to the relevant agreements, the Group centrally manages the funds from relevant bank accounts (the "Cash Pool Accounts") of some related party companies. The funds received are recorded as "other payables" and bear the same interest rate as demand deposit. For the six months ended 30 June 2019 and 2018, the above deposit interest rates ranged from 0.3% to 0.35%. Please refer to Note VI. 4(l) "Other payables-Cash pool" regarding related parties' cash pool accounts information and Note VI. 4(e) regarding relevant interest expenses.

(d) GCG Finance deposit transaction

According to the intercompany settlement account management agreement and general agreement on deposit, the Group opened a deposit account in GCG Finance with a demand interest rate or conventional interest rate. For the six months ended 30 June 2019 and 2018, deposit interest rates ranged from 0.3% to 2.3%. The deposit is accounted as deposit in GCG Finance by the Group and the Company. Please refer to Note VI. 4 (l) "Cash at bank and on hand" for more information.

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(e) Interest income and interest expenses

| | For the six months ended 30 June | |
|-------------------|----------------------------------|---------------------|
| | 2019 RMB | 2018 RMB |
| Interest income | | |
| GCG Finance | <u>3,818,431.74</u> | <u>3,695,242.35</u> |
| Interest expenses | | |
| GCG Finance | <u>14,087,479.53</u> | 6,115,244.97 |
| GVTG cash pool | <u>-</u> | <u>379,227.33</u> |
| Total | <u>14,087,479.53</u> | <u>6,494,472.30</u> |

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

(f) Freight transportation service outsourcing

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------|
| | 2019 RMB | 2018 RMB |
| Transactions with Weisheng Transportation | | |
| Freight transportation outsourcing income | <u>2,942,996.95</u> | 2,602,617.90 |
| Freight transportation outsourcing disbursements | <u>3,562,932.15</u> | <u>4,419,518.60</u> |
| Total | <u>6,505,929.10</u> | <u>7,022,136.50</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(g) Passenger transportation service outsourcing

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------|
| | 2019 RMB | 2018 RMB (Restated) |
| Transactions with Weisheng Transportation | | |
| Passenger transportation outsourcing cost (Note) | 2,268,320.72 | 2,205,301.70 |
| Passenger transportation outsourcing disbursements | 1,633,061.25 | 3,684,730.38 |
| Total | 3,901,381.97 | 5,890,032.08 |

Note: As described in Note II.32(2)(b), the Group has applied the new leases standard since 1 January 2019 and elected to restate the comparative information. Under the new leases standard, passenger transportation outsourcing cost included the depreciation of right-of-use assets and interest expenses from lease liabilities.

(h) Entrusted management

| | For the six months ended 30 June | |
|--|----------------------------------|--------------|
| | 2019 RMB | 2018 RMB |
| Management fee income | | |
| Yueyun Investment Management | 1,169,552.86 | 2,857,646.58 |
| GCGC | 187,128.46 | - |
| Guangdong Litong Properties Investment Company Limited | 1,649,864.82 | - |
| Total | 3,006,546.14 | 2,857,646.58 |

(i) Trademark and route operation licenses

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

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(j) Road and bridge tolls

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

(k) Guarantees

As in Note V.9, GCGC provided an unconditional and irrecoverable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

(l) Amounts due to/from related parties

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|--------------------------|---|---------------------------------|---|
| Cash at bank and on hand | GCG Finance | <u>424,806,022.05</u> | <u>436,797,642.83</u> |
| Accounts receivable | Guangdong Humen Bridge Company Limited | 14,467,088.08 | 7,799,839.45 |
| | Yueyun Investment Management | 2,084,993.13 | 828,767.10 |
| | Zhaoqing City Guang-He Expressway Company Limited | 3,117,270.15 | 3,117,270.15 |
| | Guangdong Provincial Freeway Company Limited | 2,777,118.35 | 2,777,118.35 |
| | Guangdong Guangle Expressway Company Limited | 507,283.37 | 514,833.30 |
| | Guangdong Province Road & Bridge Construction Development Company Limited | 2,750,734.12 | 2,162,377.43 |
| | Guangdong Meihe Expressway Company Limited | 1,600,095.97 | 1,600,095.97 |
| | Guangdong Provincial Highway Construction Company Limited | 1,407,086.66 | 324,454.14 |
| | Others | 15,030,402.31 | 12,708,644.78 |
| | Total | <u>43,742,072.14</u> | <u>31,833,400.67</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(1) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|------------------|---|---------------------------------|---|
| Accounts payable | Guangdong South China Logistics Enterprise Company Limited | 13,861,188.14 | 8,989,739.53 |
| | Guangdong Provincial Freeway Company Limited | 12,890,351.36 | 10,285,509.37 |
| | Guang-Shen-Zhu Expressway Company Limited | 5,391,555.32 | 899,983.21 |
| | Guangdong Shanfen Expressway Company Limited | 417,214.58 | 287,949.03 |
| | Guangdong Yue Dong Freeway Industry Development Company Limited | 338,339.99 | 349,150.35 |
| | Guangdong Guangye Yueyun Natural Gas Co., Ltd. | 7,116,755.26 | 629,884.07 |
| | Guangdong Kai Yang Expressway Company Limited | 10,789.08 | 881,060.31 |
| | Guangdong Provincial Highway Construction Company Limited | 1,031,888.90 | 498,269.41 |
| | Guangfo Expressway Company Limited | 1,662,901.33 | 1,099,380.17 |
| | Guangdong Provincial Changda Highway Engineering Company Limited (Note) | 1,575,657.72 | 1,575,657.72 |
| | Guangdong Humen Bridge Company Limited | 4,145,550.43 | 1,280,564.39 |
| | Guangdong Union Electronic Service Co., Ltd. | 1,092,223.61 | 1,239,258.26 |
| | Others | 7,151,448.98 | 7,663,438.64 |
| | Total | 56,685,864.70 | 35,679,844.46 |
| Prepayments | Guangdong Guangzhu Expressway West Section Company Limited | 571,965.43 | 2,396,583.12 |
| | Guang-Shen-Zhu Expressway Company Limited | 1,254,935.21 | - |
| | Yunfu City Guangyun Expressway Company Limited | 1,049,377.05 | - |
| | Guangdong Union Electronic Service Co., Ltd. | 4,767,210.52 | 5,409,686.27 |
| | Others | 1,711,145.28 | 3,648,559.44 |
| | | Total | 9,354,633.49 |

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(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(1) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|------------------------------|---|---------------------------------|---|
| Advances from customers-rent | Others | 358,058.83 | 560,655.93 |
| Contract liabilities | Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited | 2,153,282.88 | 2,153,282.88 |
| | Others | 4,488,017.21 | 2,611,678.41 |
| | Total | 6,641,300.09 | 4,764,961.29 |
| Other receivables | Weisheng Transportation Enterprises Company Limited | 7,672,976.37 | 5,059,993.43 |
| | Guangdong Chaoshan Circle Line Expressway Company Limited | 8,003,895.41 | 8,003,895.41 |
| | Guang-Shen-Zhu Expressway Company Limited | 3,371,400.00 | 3,371,400.00 |
| | Guangdong Guangzhu Expressway West Section Company Limited | 1,588,300.00 | 1,583,300.00 |
| | Guangdong Guangye Yueyun Natural Gas Co., Ltd. | 1,654,782.53 | 1,759,782.53 |
| | Guangdong Province Road & Bridge Construction Development Company Limited | 1,340,624.12 | 1,327,390.99 |
| | Guangdong Maozhan Expressway Company Limited | 1,000,000.00 | 1,000,000.00 |
| | Guangdong Union Electronic Service Co., Ltd. | 3,931,946.50 | 3,412,320.65 |
| | Guangdong Wangshangfei Logistics Technology Co., Ltd. | 1,843,530.99 | 1,733,755.53 |
| | Others | 17,867,092.12 | 18,178,559.10 |
| Total | 48,274,548.04 | 45,430,397.64 | |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(1) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|----------------------------|---|---------------------------------|---|
| Other payables | GCGC | 2,944,346.83 | 2,944,346.83 |
| | Guangdong Zhongyuetong Oil Trading Company Limited | 1,028,000.00 | 1,028,000.00 |
| | Shaoguan Yuehong Bus Station Co., Ltd. | 2,000,000.00 | - |
| | Others | 6,328,466.14 | 7,121,740.23 |
| | Sub-total | 12,300,812.97 | 11,094,087.06 |
| Other payables - Cash pool | Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd. | 3,875,256.47 | 3,174,030.83 |
| | Guangdong Province Bus Terminal Co., Ltd. | 1,050,326.87 | 1,052,964.33 |
| | Others | 354,787.73 | 1,990.50 |
| | Sub-total | 5,280,371.07 | 4,228,985.66 |
| Total | 17,581,184.04 | 15,323,072.72 | |
| Other non-current assets | Guangzhou Tianhe Coach Terminal Co., Ltd. | 9,600,000.00 | 9,600,000.00 |
| Interest payable | GCG Finance | 364,406.81 | 538,471.69 |
| Bills payable | Guangdong South China Logistics Enterprise Company Limited | 28,410,000.00 | - |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(1) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|-------------------|---|---------------------------------|---|
| Lease liabilities | Guangdong Baomao Expressway Company Limited | 26,973,182.39 | 28,421,862.99 |
| | Guangdong Bo-Da Expressway Company Limited | 41,667,641.63 | 42,586,799.70 |
| | Guangdong Chao-Hui Expressway Company Limited | 66,561,319.11 | 70,073,778.66 |
| | Guangdong Er-Guang Expressway Company Limited | 35,001,779.56 | 34,194,919.18 |
| | Guangdong Gaoen Expressway Co., Ltd. | 34,319,989.42 | - |
| | Guangdong Guangfozhao Expressway Company Limited | 42,945,870.01 | 45,184,703.39 |
| | Guangdong Guangle Expressway Company Limited | 96,818,475.78 | 102,575,273.70 |
| | Guangdong Guangzhu Expressway West Section Company Limited | 66,196,636.39 | 73,357,332.89 |
| | Guangdong He-Hui Expressway Company Limited | 6,637,132.11 | 7,429,737.82 |
| | Guangdong Humen Bridge Company Limited | 1,394,139.02 | 1,366,101.00 |
| | Guangdong Jiangzhong Expressway Company Limited | 14,054,747.82 | 16,080,437.24 |
| | Guangdong Jingzhu Expressway Guangzhu North Section Company Limited | 3,271,762.80 | 3,650,672.53 |
| | Guangdong Kai Yang Expressway Company Limited | 43,497,339.43 | 41,974,013.72 |
| | Guangdong Luo-Yang Expressway Company Limited | 22,613,928.42 | 23,778,764.92 |
| | Guangdong Maozhan Expressway Company Limited | 18,960,888.45 | 18,421,797.72 |
| | Guangdong Meihe Expressway Company Limited | 28,163,526.65 | 30,467,615.10 |
| | Guangdong Ninghua Expressway Company Limited | 18,414,214.22 | 17,966,875.76 |
| | Guangdong Ping-Xing Expressway Company Limited | 21,470,016.68 | 20,973,934.32 |
| | Guangdong Shanfen Expressway Company Limited | 14,275,126.24 | 13,963,093.73 |
| | Guangdong Provincial Fokai Expressway Company Limited | - | 25,757,580.90 |

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(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(1) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) | |
|-------------------|---|---------------------------------|---|-------------------------|
| Lease liabilities | Guangdong Expressway Development Co., Ltd. | 26,571,331.29 | - | |
| | Guangdong Provincial Freeway Company Limited | 121,024,571.16 | 111,891,002.27 | |
| | Guangdong Provincial Highway Construction Company Limited | 112,335,675.54 | 115,850,683.13 | |
| | Guangdong Province Road & Bridge Construction Development Company Limited | 62,199,876.05 | 67,494,255.38 | |
| | Guangdong Taishan Coastal Expressway Company Limited | 3,555,331.85 | 3,462,311.53 | |
| | Guangdong Province Western Coastal Expressway Zhuhai Section Company Limited | 10,072,502.73 | 9,788,471.38 | |
| | Guangdong Yang-Mao Expressway Company Limited | 22,483,713.07 | 25,092,771.56 | |
| | Guangdong Yu-Zhan Expressway Company Limited | 19,438,115.40 | 18,893,708.73 | |
| | Guangdong Yue Dong Freeway Industry Development Company Limited | 7,800,584.78 | 7,582,166.23 | |
| | Guangdong Yun-Wu Expressway Company Limited | 44,684,196.69 | 43,404,678.42 | |
| | Guangdong Zhaoyang Expressway Company Limited | 23,470,445.71 | 22,791,207.19 | |
| | Guang-Shen-Zhu Expressway Company Limited | 85,144,335.62 | 118,137,957.35 | |
| | Heyuan He-Long Expressway Company Limited | 11,543,144.66 | 12,544,638.04 | |
| | Jingzhu Expressway Guangzhu Section Company Limited | 18,913,144.10 | 16,025,294.58 | |
| | Weisheng Transportation Enterprises Company Limited ("Weisheng Transportation") | 2,479,638.04 | 5,025,301.54 | |
| | Yunfu City Guangyun Expressway Company Limited | 7,281,774.32 | 6,814,022.48 | |
| | Zhaoqing Yuezhaoyao Expressway Company Limited | 10,006,861.66 | 9,745,931.82 | |
| | Total | | <u>1,192,242,958.80</u> | <u>1,212,769,696.90</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(1) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|---|--|---------------------------------|---|
| Non-current liabilities due within one year | Guangdong Bo-Da Expressway Company Limited | 1,703,372.76 | 1,259,005.01 |
| | Guangdong Chao-Hui Expressway Company Limited | 1,824,947.47 | 1,786,007.58 |
| | Guangdong Er-Guang Expressway Company Limited | 1,103,047.64 | 1,078,963.79 |
| | Guangdong Gaoen Expressway Co., Ltd. | 1,031,408.81 | - |
| | Guangdong Guangfozhao Expressway Company Limited | 1,157,808.89 | 1,133,152.91 |
| | Guangdong Guangle Expressway Company Limited | 2,603,200.17 | 2,529,054.98 |
| | Guangdong Guangzhu Expressway West Section Company Limited | 4,036,713.44 | 4,738,146.16 |
| | Guangdong Jiangzhong Expressway Company Limited | 1,649,966.70 | 1,611,429.72 |
| | Guangdong Kai Yang Expressway Company Limited | 3,983,441.15 | 3,854,873.67 |
| | Guangdong Litong Properties Investment Company Limited | 4,869,672.95 | 10,257,728.19 |
| | Guangdong Maozhan Expressway Company Limited | 1,354,102.10 | 1,315,909.46 |
| | Guangdong Meihe Expressway Company Limited | 1,425,290.50 | 1,385,261.24 |
| | Guangdong Shanfen Expressway Company Limited | 1,887,797.68 | 1,843,589.64 |
| | Guangdong Provincial Fokai Expressway Company Limited | - | 633,600.11 |
| | Guangdong Expressway Development Co., Ltd. | 651,965.09 | - |
| | Guangdong Provincial Freeway Company Limited | 9,985,015.62 | 8,905,449.00 |
| | Guangdong Provincial Highway Construction Company Limited | 3,322,518.20 | 3,241,976.61 |
| Guangdong Province Road & Bridge Construction Development Company Limited | 4,198,380.87 | 4,091,332.44 | |
| Guangdong Yang-Mao Expressway Company Limited | 1,837,194.43 | 1,784,748.08 | |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VI RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

(l) Amounts due to/from related parties (continued)

| Caption | Related parties | As at 30 June 2019 RMB | As at 31 December 2018 RMB (Restated) |
|--|--|---------------------------------|---|
| Non-current liabilities due within one year | Guangdong Yu-Zhan Expressway Company Limited | 1,216,901.13 | 1,182,352.75 |
| | Guangdong Yun-Wu Expressway Company Limited | 1,588,376.64 | 1,545,313.63 |
| | Guang-Shen-Zhu Expressway Company Limited | 10,088,878.20 | 11,345,805.78 |
| | Jingzhu Expressway Guangzhu Section Company Limited | 888,949.64 | 657,884.31 |
| | Weisheng Transportation Enterprises Company Limited | 4,975,910.07 | 4,860,493.14 |
| | Others | 7,955,223.54 | 7,143,851.31 |
| | Total | <u>75,340,083.69</u> | <u>78,185,929.51</u> |

(m) Compensation for key management personnel

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------|
| | 2019 RMB | 2018 RMB |
| Compensation for key management personnel | <u>3,034,008.80</u> | <u>3,012,566.00</u> |

Notes to the interim financial report

(Expressed in Renminbi Yuan)

VII. COMMITMENTS

| | As at 30 June 2019 RMB | As at 31 December 2018 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 | 205,848,561.79 | 195,648,903.04 |
| Capital commitments that have been approved but have not been entered into contracts | 181,498,072.10 | 183,401,012.17 |
| Total | <u>387,346,633.89</u> | <u>379,049,915.21</u> |

VIII. COMPARATIVE FIGURES

As described in Note II. 32, the Group has changed certain accounting policies and made retrospective adjustments where required (including adjustments to comparative figures).