



# 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 2020

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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
- ❖ Expressway Service Zones Operation
  - Energy Business
  - Retail Business
  - Merchant Solicitation Business
  - Advertising Business
- ❖ Operation of Taiping Interchange

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.

## 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

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

## BOARD OF DIRECTORS

### Executive Directors

Xuan Zongmin  
Tang Yinghai  
Yao Hanxiong  
Wen Wu  
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

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

## PRINCIPAL BANKS

Agricultural Bank of China  
China Construction Bank  
Bank of China  
China Merchants Bank  
China CITIC Bank

## LEGAL ADVISER

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

## HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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



## Financial Highlights

|   | <b>For the six<br/>months ended<br/>30 June 2020<br/>RMB'000</b> | For the six<br>months ended<br>30 June 2019<br>RMB'000<br>(Restated) | Change |
|---|--|--|--------|
| <b>Results highlights</b>   |  |  |        |
| Operating income  |  |  |        |
| Travel service  | <b>2,456,120</b>   | 3,065,134  | (20%)  |
| Material logistics  | <b>141,905</b>   | 214,275  | (34%)  |
| Other business  | <b>3,822</b>   | 3,890  | (2%)   |
| Total operating income  | <b>2,601,847</b>   | 3,283,299  | (21%)  |
| Gross profit  |  |  |        |
| Travel service  | <b>20,178</b>  | 602,680  | (97%)  |
| Material logistics  | <b>(386)</b>   | 5,421  | N/A    |
| Other business  | <b>1,697</b>   | 2,775  | (39%)  |
| Total gross profit  | <b>21,489</b>  | 610,876  | (96%)  |
| Taxes and surcharges  | <b>(17,633)</b>  | (21,134)   | (17%)  |
| Selling and distribution expenses   | <b>(30,629)</b>  | (34,191)   | (10%)  |
| General and administrative expenses,<br>and research and development expenses | <b>(286,827)</b>   | (355,026)  | (19%)  |
| Finance expenses  | <b>(113,022)</b>   | (89,604)   | 26%    |
| Impairment losses   | <b>(5,897)</b>   | (1,587)  | 272%   |
| Accrual of credit losses  | <b>(7,395)</b>   | (6,685)  | 11%    |
| Other income  | <b>245,434</b>   | 182,543  | 34%    |
| Investment income   | <b>4</b>   | 19,060   | (100%) |
| Gains from asset disposals  | <b>621</b>   | 29,094   | (98%)  |
| Operating (losses)/profit   | <b>(193,855)</b>   | 333,346  | N/A    |
| Non-operating income/(expenses)   | <b>16,502</b>  | (253)  | N/A    |
| Total (losses)/profit   | <b>(177,353)</b>   | 333,093  | N/A    |
| Income tax expenses   | <b>(5,118)</b>   | (78,631)   | (93%)  |
| Net (losses)/profit   | <b>(182,471)</b>   | 254,462  | N/A    |
| Profit and loss attributable to minority interests                            | <b>(71,031)</b>  | 48,316   | N/A    |
| Net (losses)/profit attributable to shareholders of<br>the Company            | <b>(111,440)</b>   | 206,146  | N/A    |
| Basic (losses)/earnings per share (RMB)                                       | <b>(0.14)</b>  | 0.26   | N/A    |
| Diluted (losses)/earnings per share (RMB)                                     | <b>(0.14)</b>  | 0.26   | N/A    |

## Financial Highlights

|   | <b>30 June 2020</b>                                  | 31 December 2019  | Change      |
|---|--|---|-------------|
|   | <b>RMB'000</b>                                       | RMB'000   |             |
| <b>Results highlights</b>   |  |   |             |
| Total assets  | <b>11,213,363</b>                                    | 11,095,005  | 1%          |
| Total net assets  | <b>3,360,835</b>                                     | 3,486,922   | (4%)        |
| Equity attributable to shareholders of the Company                  | <b>2,215,625</b>                                     | 2,319,316   | (4%)        |
| Net assets per share attributable to owners<br>of the Company (RMB) | <b><u>2.77</u></b>                                   | <u>2.90</u>   | <u>(4%)</u> |
|   | <b>For the six<br/>months ended<br/>30 June 2020</b> | For the six<br>months ended<br>30 June 2019<br>(Restated) | Change      |
| Gross profit margin   | <b>0.83%</b>   | 18.61%  | (96%)       |
| Interest coverage ratio (times)                                     | <b><u>(0.64)</u></b>                                 | <u>4.44</u>   | <u>N/A</u>  |
|   | <b>30 June 2020</b>                                  | 31 December 2019  | Change      |
| Gearing ratio   | <b>70.03%</b>  | 68.57%  | 2%          |
| Current ratio (times)   | <b><u>0.76</u></b>                                   | <u>0.75</u>   | <u>1%</u>   |

Gross profit margin = Gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

## Chairman's Statement

In the first half of 2020, due to the spread of COVID-19 across the world, the consumer market was seriously damaged, together with the continued Sino-US trade friction, imposing significant downward pressure on the macro economy. In face of the severe external environment, the Chinese government has put forward the policy of "six guarantees", i.e. guaranteeing employment, guaranteeing basic livelihood, guaranteeing market, guaranteeing food and energy security, guaranteeing industrial chain and supply chain stability and guaranteeing grass-roots operation (保居民就業、保基本民生、保市場主體、保糧食能源安全、保產業鏈供應鏈穩定、保基層運轉), on the basis of "Six stabilities", i.e. stabilizing employment, stabilizing the financial system, stabilizing foreign trade, stabilizing foreign investment, stabilizing investment and stabilizing expectation (穩就業、穩金融、穩外貿、穩外資、穩投資、穩預期), which in conjunction with the proactive fiscal policies, prudent monetary policies, and proactive employment policies, guiding the Chinese economy to achieve a more solid recovery.

In the early stage of the epidemic prevention and control, the passenger volume of road traffic dropped sharply year on year due to the Ministry of Transport of China made great effort to block the spread of COVID-19 and implement strict epidemic prevention measures in accordance with the principle of "one break, three continuous", i.e. resolutely blocking virus transmission, ensuring continuous highway transportation networks, continuous green channel for emergency transportation, and continuous transportation of living supplies, and "three noes, one priority", i.e. no stopping, no inspection, no fees, and priority access. As a transportation enterprise, the Group also actively cooperates with the implementation of relevant epidemic prevention measures. With the orderly resumption of work and production, the transportation industry is gradually regaining its vitality.

In order to implement the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》) and the "Outline for Building China's Strength in Transportation" (《交通強國建設綱要》), Guangdong Province is vigorously building a convenient and efficient modern comprehensive transportation system to create the "12312" transportation circle in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, in order to achieve the "Guangdong Province Expressway Network Planning (2020-2035)" (《廣東省高速公路網規劃(2020-2035年)》), the Guangdong Provincial Government strives to promote the integrated development of expressways and transportation networks, and facilitate the development of intelligent expressways and green sustainable development.

2020 is the final year of the "13th Five-Year Strategic Development Plan" (《"十三五"戰略發展規劃》) of the Group. The Group will integrate its operation into the development of the Guangdong-Hong Kong-Macao Greater Bay Area and coordinate the development of the "one centre, one belt and one region (一核一帶一區)" in Guangdong. By adhering to the key objectives of "strengthening the Party, fighting the epidemic, strengthening the principal businesses, changing the approaches, facilitating the reforms, emphasizing on management and control, and keeping stable (強黨建、戰疫情、強主業、轉方式、促改革、重管控、保安穩)" and focusing on the customer needs, the Group strives to promote its business transformation and upgrade, resulting in a better quality, more efficient and more sustainable development.

In response to this epidemic, the Group has fully implemented the measures of setting up inspection points at passenger terminals and service areas, deploying a large amount of anti-epidemic materials such as masks, alcohol, disinfectant powder, disinfectant water, regularly disinfecting service areas and public facilities and equipment, and strengthening Anti-epidemic propaganda efforts. In addition, the Group also assumes the social responsibility of ensuring the smooth flow of commuting. It has sent a total of 2,967 chartered buses for resumption of work, production and learning, helping 59,017 personnel to resume production, working and learning, of which 746 classes have been resumed and 20,766 students have been transported. In response to the government's call, the Group, in accordance with the spirit of the "Notice of the People's Government of Guangdong Province on Printing and Distributing Certain Policies and Measures to Support the Resumption of Work and Production of Enterprises in Response to the Novel Coronavirus Pneumonia Epidemic" 《廣東省人民政府關於印發應對新型冠狀病毒肺炎疫情支持企業復工復產若干政策措施的通知》, will reduce part of the rents of private enterprises that are eligible to enjoy the reduction and exemption policies, with a view to better serve tenants to resume their work and production. The board of directors believes that the impact of the COVID-19 epidemic is staged and will not change the development trend of the industry and the travel needs of the public. With the normalization of the epidemic and the recovery of passenger travel demand, the Group's operations will also return to normal.

Key business developments of the Group in the second half of 2020 are as follows:

### 1. Road passenger transportation and auxiliary services

- (1) To supervise the construction of the "No. 1 Project" in relation to road passenger transportation information, complete the top-level design of the "one ticket, one network, one center, one platform" system, implement strategic cooperation matters with external units, collaborate with third-party platform professional forces, effectively carry out the construction of the "Yuexing (悦行)" platform, complete the online operation of the "Yuexing (悦行)" platform in phase 4, and initiate the phase 5 of the "Yuexing (悦行)" platform construction, and strive to increase the percentage of respective online operating vehicles to reach 90%.
- (2) To further develop self-service ticket vending machines, self-service vending machines, online shopping and ticketing, online grouping of customers, etc., and promote the development of travel service consumption in a more professional, diversified and high-quality direction.
- (3) To expand non-traditional road passenger transportation business and improve non-station passenger group business at passenger terminals, and to achieve a year-on-year increase of 15% in passenger traffic or revenue from non-station passenger business such as charter coach, commuting, tourism, customization, and research in cities and counties.
- (4) To intensify the expansion of the rural passenger transport market, further improve the network layout of township passenger terminals, seize the opportunities for developing the "town-to-village" rural road passenger transport business, actively promote the "town-to-village" rural passenger shuttle bus business in all cities and counties, and to build our brand and increase our market share in rural passenger transport market.



## Chairman's Statement

- (5) To deepen the supply-side reform of the passenger transportation business, step up efforts to promote the miniaturization of vehicles and the launch of small online-hailing vehicles, and realize the reasonable allocation between "large, medium and small" operating vehicles and "high, medium and general" services to obtain more shares in travel segment market.
- (6) To promote the commercial transformation of passenger terminals, focusing on the three projects of Yangjiang Terminal, Xintang Terminal and Zhaoqing Terminal.

### 2. Expressway service zones operation

- (1) To advance and realize synchronous investment and operation of total 12 pairs of service zones (including carpark zones) for 6 sections such as, Qingyuan and Jiangao at Hui-Qing Expressway, Shangsha at Hua-Lu Expressway, Qishan and Guangde at Da-Chao Expressway, Lantang and Hengli at Zi-Hui Expressway, Luoping at Yun-Mao Expressway, Luodong, Nanfeng, Jinzhuang, Yunan at Huai-Yang Expressway with the opening of such sections as scheduled.
- (2) To accelerate the construction, investment and operation of "Yueyun Energy" self-built and self-operated gas stations, promote the construction of new gas stations in Ketang, Qingyuan, Jiangao, Guangde and other service areas and the reconstruction of Shachong gas stations, and aiming for the total number of "Yueyun Energy" self-built and self-operated gas stations reaching 50.
- (3) To promote the development of joint venture companies in gas stations and other projects through the adjustment of equity structure and profit model.
- (4) To expedite the expansion of the scale of "Yueyun Loyee" convenience stores, the number of stores reach almost 630.
- (5) To vigorously promote the trial operation of "big retail" and the exclusive business of local specialties, and plan to complete the construction of 10 "Loyee" supermarkets in the five service areas of Qingyuan, Waxi, Yangchun, Luhe and Xiangang. In addition, special counters or special areas will also be set up in two-thirds of the self-operated service areas stores to tap the potential of the retail business.
- (6) To complete the commercial upgrading and transformation of service areas in Luhe, Datang, Guandu, Xiegang, Wayaogang, etc., and create characteristic service areas in accordance with local conditions.
- (7) To launch local specialties project of "Yipinhui" in Xiegang, Yuantan and Huacheng service areas.

### **Key business developments and financing arrangements for the second half of 2020**

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

14 August 2020

# Management Discussion and Analysis

## BUSINESS REVIEW

The Group actively responded to changes in industry policies and impact of the COVID-19 pandemic (the “Pandemic”), coordinated the two themes of prevention and control of the Pandemic and corporate development, continued to promote the “second reform, second entrepreneurship”, and integrated 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 center, one belt and one region”. We have always been customer-oriented and innovated the service models of road passenger transportation and auxiliary service business, taking “a combination of measures” of platform grouping, site layout, service improvement, adjustment of models of vehicles and optimization of management mechanism. The Group accelerated its information construction, continued to upgrade the version of the “Yuexing (悦行)” platform, completed the fare clearing system through collaboration with Tencent and Ping An Bank, and integrated the system modules including the express, hitch ride, car rental, charter coach, tourist transport, striving to achieve “travel with only one button”.

The Group advanced the development of energy business, convenience stores retail business and merchant solicitation business, which provided new driving forces for continuous transformation of our road passenger transportation business and performance growth for the Group. The Group highly emphasized on capital operations and funds management, considered the listing of the Company’s A shares as the primary work objectives, and strived to enhance the market value under the new model to provide shareholders with reasonable returns.

### Travel Services Segment

#### 1. Road Passenger Transportation and Auxiliary

The Group actively responded to the Pandemic and strengthened cost control. In response to the shortage of passengers for a single route during the Pandemic, measures such as integration, merging, reduction of routes, and suspension of routes have been flexibly adopted to strictly control the operation of inefficient and ineffective shifts and reduce the operating cost of shuttle buses.

With the support of informatization, the Group built an integrated platform for travel services, and continuously focused on developing an upgrade version of “Yuexing (悦行)” platform. Currently, the customization and carpooling system establishment for the fourth phase of “Yuexing (悦行)” has been completed. As of June 2020, the Group’s intercity and customized carpooling business has been launched in Yangjiang, Chaozhou, Zhongshan, Zhaoqing (Zhaoqing city area, Sihui, Huaiji), Meizhou, Chaoyang and other regions, with 107 routes opened. In the first half of this year, a total of 39,700 person-time was served.

The Group accelerated the adjustment of its vehicle model and structure to adapt to the future travel characteristics of “small lots and multiple batches”. At present, among the Group’s shuttle passenger vehicles, small and medium-sized vehicles below 9 metres account for 44%, representing an increase of 10.78% over the beginning of the year. In the first half of this year, a total of 63 passenger cars, 56 small passenger cars, 7 medium passenger cars were purchased and operated, while no large passenger cars were purchased.

The Group actively responded to the difficulty of reduction of routes and passengers in stations, and organized passenger sources out of the station. The transportation companies comprising the Group adapted to local conditions and combined with the travel demand of local residents to promote customized passenger transportation business. In the first half of this year, the revenue from non-station group passenger business exceeded RMB45 million.

The Group actively increased the proportion of urban and rural passenger transportation services, developed the passenger transportation business of “town-to-village” with small vehicles, and rapidly occupied the market by ways such as adjustments to stock operating vehicles and increase in new licensing quotas. Some routes were opened by making an appointment. The number of “town-to-village” vehicles increased to 476 from 185 at the end of last year.

The traffic rescue business gave full play to the advantages of scale, and it gradually built the reputation of “Yueyun Rescue” brand while doing a good job in “keeping safe and unblocked”. There are currently 55 expressways for the vehicle rescue services, with mileages of 5,610 kilometres, representing an increase of 9% over the same period last year and the rescue operations increased by 17% year-on-year. We improved the efficiency of resource allocation by optimizing the stationing point, standby point setting and rescue resource allocation. The data analysis, video surveillance and GPS data were combined to strengthen the supervision. We actively extended the rescue services on expressway, and the revenue from passenger emergency transfer business, hoisting business and unlocking business increased by 28% year-on-year.

### **2. Expressway service zones operation**

#### **(1) Energy business**

The Group continued to strengthen its energy business and strived to increase revenue and enhance the brand influence of “Yueyun Energy” through enhanced marketing activities. The Group conducted gasoline promotion activities in the manner of “one station one policy”. The promotional activities included various forms such as “Member Value Promotion Day”, “Electronic Gasoline Cash Coupons”, “Buy Water and Get Gasoline”, etc., which have better promoted membership promotion and return of regular customers. The total tax-inclusive income of the energy business in the first half of the year increased by approximately 72% year-on-year, among which, the self-operated gasoline sales was approximately 129,000 tons, and the income amounted to approximately RMB878 million.



## Management Discussion and Analysis

The Group vigorously strengthened brand promotion and enhanced the popularity of “Yueyun Energy”. We carried out brand promotion and display in more than 10 road sections across the province through coordinated use of the advertising resources of Guangdong Highway Media Company Limited.

The Group took advantage of the price opportunity in the trough of international oil price and increased the price difference between purchases and sales by increasing the pre-purchase of oil and hoarding oil at low price based on the actual situation. Meanwhile, the Group seized the opportunity of increasing flow of trucks brought by the toll-free expressway policy to vigorously expand diesel sales. The Group also strengthened its internal refined management and carried out skills training, competitions and other works.

### (2) Convenience stores retail business

Taking advantage of the regional advantages of “Yueyun Loyee” convenience stores, the Group has opened 572 stores. “Yueyun Loyee” implemented multiple business models such as self-operation and franchising. The Group 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 centers, namely procurement and sales, delivery and retail, which fully stimulated the motivation and vitality of all employees to actively participate in operation. The Group sold commodities according to local conditions through the combination of online and offline sales models, which promoted the opening of approximately 170 shops for selling special local products. We actively developed the supermarketization of convenience stores, optimized the structure of commodities, and added more than 620 barcodes for special local products.

### (3) Merchant solicitation business

The Group fully used the resource advantages of Guangdong Provincial Communication Group Company Limited to improve the efficiency level of the existing service zones. It accelerated the quality improvement and upgrading of the Group’s service zones, and vigorously carried out the construction of commercial upgrading and transformation projects in Luhe, Xiegang, Guandu and Datang. In order to improve the facilities level, we have deployed more than 700 sets of shared massage chair, representing a year-on-year increase of approximately 40%. The pilot self-service vending machine projects for people driving on the expressway have been conducted in 10 pairs of service zones including Shunde, Yayao, etc.

The Group has completed the differentiated positioning of 11 pairs of service zones on Guangzhou-Zhanjiang Expressway, including commercial planning and business concept design for Liangjinshan, Shengtang and Yangjiang service zones. The Group also proactively expanded the reserve of high-quality brand merchants. In the first half of the year, it completed the introduction of 3 new brands for the brand repository, and the number of brand in the brand resource repository reached 98.

#### (4) Advertising business

Relying on the existing expressway advertising resources, the Group increased its efforts in customer exploitation and business development, promoted the integrated and collaborative development of multiple resources, and continued to develop and acquire the leading well-known customers in the industry with industry influence through meticulous customer portraits and deeply-cultivated connection channels. Based on the “Advertising Media Planning Programme for Service Zones in Guangdong Province” 《廣東省服務區廣告媒體規劃方案》 for 2019, the Group formulated the “Advertising Media Planning Programme for Service Zones in the Pearl River Delta Region”, considering the site environment after the upgrading of service zones in the Pearl River Delta region. The Group actively expanded business out of system through its professional business capabilities and service reputation, explored diversified cooperation models, and expanded online business through media platforms of network.

### **3. Operation of Taiping Interchange**

In order to support the prevention and control of the Pandemic and the resumption of work and production, the government stipulated that the expressways would be free for all vehicles from 17 February to 5 May 2020. Affected by this policy, the accumulated toll traffic of Taiping Interchange in the first half of this year was approximately 4.92 million times, representing a year-on-year decrease of approximately 73.61%. The Group actively implemented the Taiping Interchange maintenance and repair plan to ensure the safe operation of bridges and the unblocked roads.

### **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 2019 HAS BEEN RESTATED)

### The Group's interim results for the six months ended 30 June 2020

For the six months ended 30 June 2020, operating income of the Group amounted to RMB2,601.847 million (the corresponding period in 2019: RMB3,283.299 million), representing a year-on-year decrease of RMB681.452 million or 21%. Gross profit amounted to RMB21.489 million (the corresponding period in 2019: RMB610.876 million), representing a year-on-year decrease of RMB589.387 million or 96%. The year-on-year decrease in operating income and gross profit was due to the impact of the Pandemic, against which, the Guangdong Provincial Government initiated level-1 response and carried out travel restrictions and control, which resulted in a significant decrease in the routes and carriage rate of the Group's road passenger transportation and auxiliary business; meanwhile, toll fee exemption was implemented for Taiping Interchange operation business from February to May 2020 in compliance with the requirements of the government.

For the six months ended 30 June 2020, the Group realized net loss of RMB182.471 million (the corresponding period in 2019: net profit of RMB254.462 million); net loss attributable to the shareholders of the Company (the "**Shareholders**") was RMB111.440 million (the corresponding period in 2019: net profit attributable to the shareholders of the Company of RMB206.146 million); basic loss per share was RMB0.14 (the corresponding period in 2019: basic earnings per share of RMB0.26). The turnaround from profit to loss was mainly due to the negative impact of the Pandemic, which resulted in a significant decrease in the gross profit of our road passenger transportation and auxiliary service business and Taiping Interchange operation business. Facing the unfavorable situation caused by the Pandemic, the Group proactively responded by vigorously developing strategic businesses such as energy business and adopting a number of measures to reduce expenditures and costs to make up for the operating losses in a multi-pronged manner.

### Operating income

Operating income of the Group was mainly derived from travel services segment. Operating income of the Group for the first half of 2020 amounted to RMB2,601.847 million (the corresponding period in 2019: RMB3,283.299 million), representing a year-on-year decrease of RMB681.452 million or 21%. The year-on-year decrease in operating income was due to the impact of the Pandemic, against which, the government carried out travel restrictions and control, which resulted in a significant decrease in the routes and carriage rate of the Group's road passenger transportation and auxiliary business; meanwhile, toll fee exemption was implemented for Taiping Interchange operation business from February to May 2020 in compliance with the requirements of the government.

# Management Discussion and Analysis

## Operating income by business segments:

|                    | For the six months ended<br>30 June 2020 |                    | For the six months ended<br>30 June 2019 |             |
|--------------------|--|--------------------|--|-------------|
|                    | RMB'000                                  | Percentage         | RMB'000<br>(Restated)                    | Percentage  |
| Travel services    | <b>2,456,120</b>                         | <b>94%</b>         | 3,065,134                                | 93%         |
| Material logistics | <b>141,905</b>                           | <b>6%</b>          | 214,275                                  | 7%          |
| Other business     | <b>3,822</b>                             | <b>0%</b>          | 3,890                                    | 0%          |
| Total              | <b><u>2,601,847</u></b>                  | <b><u>100%</u></b> | <u>3,283,299</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 RMB2,456.120 million (the corresponding period in 2019: RMB3,065.134 million) for the first half of 2020, representing a year-on-year decrease of RMB609.014 million, or approximately 20%, and accounting for approximately 94% (the corresponding period in 2019: 93%) of the Group's total operating income, of which:

- (1) Road passenger transportation and auxiliary business recorded operating income of RMB1,026.373 million (the corresponding period in 2019: RMB1,945.485 million) for the first half of 2020, representing a year-on-year decrease of RMB919.112 million or approximately 47%, which was mainly due to the impact of the Pandemic, against which, the government carried out travel restrictions and control, which resulted in a significant decrease in the routes and carriage rate of the Group's road passenger transportation and auxiliary business.
- (2) Expressway service zones operation recorded operating income of RMB1,410.175 million (the corresponding period in 2019: RMB1,033.596 million) for the first half of 2020, representing a year-on-year increase of RMB376.579 million or approximately 36%, which was mainly due to a substantial increase in income from the energy business. Among which:
  - a) For energy business, the operating income amounted to RMB983.959 million (the corresponding period in 2019: RMB572.466 million) for the first half of 2020, representing a year-on-year increase of RMB411.493 million or approximately 72%, mainly due to income contributed by Guangdong Zhong Yue Tong Oil Products Operation Company Limited (廣東中粵通油品經營有限公司) ("**Zhong Yue Tong Company**"), a subsidiary newly came under the Group's control and consolidated for the year, and a year-on-year increase in the scale of self-operated gas stations.



## Management Discussion and Analysis

- b) For retail business, the operating income amounted to RMB218.752 million (the corresponding period in 2019: RMB256.039 million) for the first half of 2020, representing a year-on-year decrease of RMB37.287 million or approximately 15%, mainly due to the impact of the Pandemic, which resulted in a decrease in customer flow.
  - c) For merchant solicitation business, the operating income amounted to RMB153.746 million (the corresponding period in 2019: RMB161.944 million) for the first half of 2020, representing a year-on-year decrease of RMB8.198 million or approximately 5%.
  - d) For advertising business, the operating income amounted to approximately RMB53.718 million (the corresponding period in 2019: RMB43.147 million) for the first half of 2020, representing a year-on-year increase of RMB10.571 million or approximately 24%, which was mainly attributable to a year-on-year increase in income derived from advertising planning business.
- (3) For operation of Taiping Interchange, the operating income amounted to approximately RMB19.572 million (the corresponding period in 2019: RMB86.053 million) for the first half of 2020, representing a year-on-year decrease of RMB66.481 million or approximately 77%. The decrease was mainly due to the toll fee exemption implemented for Taiping Interchange from February to April 2020, as a result of the impact of the Pandemic, and suspended toll fee collection during the suspension for vortex vibration of the bridge in May 2020

### **2. Material logistics segment**

Material logistics segment recorded operating income of RMB141.905 million (the corresponding period in 2019: RMB214.275 million) for the first half of 2020, representing a year-on-year decrease of RMB72.370 million, or approximately 34%, and accounting for approximately 6% (the corresponding period in 2019: 7%) of the Group's total operating income. The decrease in operating income was mainly due to a decrease in existing business volume.

### **Gross profit**

Gross profit of the Group for the first half of 2020 amounted to RMB21.489 million (the corresponding period in 2019: RMB610.876 million), representing a year-on-year decrease of RMB589.387 million or approximately 96%. Gross profit margin was 0.83% (the corresponding period in 2019: 18.61%).

## Gross profit by business segments:

|                    | For the six months ended<br>30 June 2020 |             | For the six months ended<br>30 June 2019 |             |
|--------------------|--|-------------|--|-------------|
|                    | RMB'000                                  | Percentage  | RMB'000<br>(Restated)                    | Percentage  |
| Travel services    | 20,178                                   | 94%         | 602,680                                  | 99%         |
| Material logistics | (386)                                    | (2%)        | 5,421                                    | 1%          |
| Other business     | 1,697                                    | 8%          | 2,775                                    | 0%          |
| Total              | <u>21,489</u>                            | <u>100%</u> | <u>610,876</u>                           | <u>100%</u> |

### 1. Travel Services Segment

The travel services segment recorded a gross profit of RMB20.178 million in the first half of 2020 (the corresponding period in 2019: RMB602.680 million), representing a year-on-year decrease of RMB582.502 million or approximately 97%, and the gross profit margin was 1% (the corresponding period in 2019: 20%). The decrease in gross profit and gross profit margin was mainly due to a decrease in income as a result of the impact of the Pandemic.

- (1) Road passenger transportation and auxiliary business generated a gross loss of RMB266.298 million in the first half of 2020 (the corresponding period in 2019: gross profit of RMB316.402 million). Gross loss margin was 26% (the corresponding period in 2019: gross profit margin of 16%). The turnaround from profit to loss was mainly due to (i) the impact of the Pandemic, against which, the government carried out travel restrictions and control, which resulted in a significant decrease in the routes and carriage rate of the Group's road passenger transportation and auxiliary business and thus a significant decrease in customer flow, leading to a decrease in income, and (ii) the fact that fixed costs such as depreciation and amortisation accounted for a relatively high proportion and were less affected by the changes in income.
- (2) Expressway service zones operation recorded a gross profit of RMB282.401 million in the first half of 2020 (the corresponding period in 2019: RMB214.412 million), representing a year-on-year increase of RMB67.989 million or approximately 32%, and the gross profit margin was 20% (the corresponding period in 2019: 21%). The year-on-year increase in gross profit was mainly due to a year-on-year increase in revenue attributable to the consolidation of Zhong Yue Tong Company and the expanded scale of self-operated gas stations, including:
  - a) The energy business generated a gross profit of RMB168.028 million in the first half of 2020 (the corresponding period in 2019: RMB82.591 million), representing a year-on-year increase of RMB85.437 million or approximately 103%. The gross profit margin was 17% (the corresponding period in 2019: 14%). The year-on-year increase in the gross profit was mainly due to the increase in revenue. The gross profit margin from purchase and sale for the period was 24% (the corresponding period in 2019: 22%).

## Management Discussion and Analysis

- b) The retail business generated a gross profit of RMB36.143 million in the first half of 2020 (the corresponding period in 2019: RMB44.783 million), representing a year-on-year decrease of RMB8.640 million or approximately 19%. The gross profit margin was 17% (the corresponding period in 2019: 17%). The decrease in gross profit was mainly due to the impact of the Pandemic, which resulted in a decrease in customer flow.
  - c) The merchant solicitation business generated a gross profit of RMB48.963 million in the first half of 2020 (the corresponding period in 2019: RMB64.041 million), representing a year-on-year decrease of RMB15.078 million or approximately 24%, and the gross profit margin was 32% (the corresponding period in 2019: 40%). The year-on-year decrease in gross profit and gross profit margin was mainly due to the impact of the Pandemic resulting in a decrease in income and a year-on-year increase in the number of service zones resulting in an increase in depreciation of right-of-use assets and fixed assets.
  - d) The advertising business generated a gross profit of RMB29.267 million in the first half of 2020 (the corresponding period in 2019: RMB22.997 million), representing a year-on-year increase of RMB6.270 million or approximately 27%. The gross profit margin was 54% (the corresponding period in 2019: 53%). The increase in gross profit was mainly due to the increase in the income derived from advertising planning business.
- (3) Taiping Interchange operation generated a gross profit of RMB4.074 million in the first half of 2020 (the corresponding period in 2019: RMB71.866 million), representing a year-on-year decrease of RMB67.792 million or approximately 94%. The gross profit margin was 21% (the corresponding period in 2019: 84%), which was mainly due to the decrease in income as a result of the toll-free expressway policy.

### **2. Material logistics segment**

The material logistics segment generated a gross loss of RMB0.386 million in the first half of 2020 (the corresponding period in 2019: gross profit of RMB5.421 million). The turnaround from profit to loss was mainly due to the impact of the Pandemic and a decrease in existing business volume.

### **Taxes and surcharges**

In the first half of 2020, taxes and surcharges of the Group amounted to RMB17.633 million (the corresponding period in 2019: RMB21.134 million), representing a year-on-year decrease of RMB3.501 million or approximately 17%, mainly due to a decrease in such amounts paid under the relevant tax reduction and exemption policies.

### **Selling and distribution expenses**

In the first half of 2020, selling and distribution expenses of the Group amounted to RMB30.629 million (the corresponding period in 2019: RMB34.191 million), representing a year-on-year decrease of RMB3.562 million or approximately 10%.

## **General and administrative expenses, and research and development expenses**

In the first half of 2020, the Group incurred general and administrative expenses, and research and development expenses of RMB286.827 million (the corresponding period in 2019: RMB355.026 million), representing a year-on-year decrease of RMB68.199 million or approximately 19%, mainly due to a decrease in the relevant costs and expenses including performance bonus for road passenger transportation and auxiliary business, which was in line with the decrease in business volume

## **Finance expenses**

In the first half of 2020, finance expenses of the Group amounted to RMB113.022 million (the corresponding period in 2019: RMB89,604 million), representing a year-on-year increase of RMB23.418 million or approximately 26%, which was mainly due to an increase of RMB771 million in the closing balance of debts bearing interest as compared to the corresponding period of last year.

## **Other income**

The Group's other income derived in the first half of 2020 amounted to RMB245.434 million (the corresponding period in 2019: RMB182.543 million), representing a year-on-year increase of RMB62.891 million or approximately 34%, which was mainly due to the recognition of subsidies for operation of new energy vehicles from Central Government for the period, contributing a year-on-year increase.

## **Investment income**

The Group's investment income derived in the first half of 2020 amounted to RMB4,000 (the corresponding period in 2019: RMB19.060 million), representing a year-on-year decrease of RMB19.056 million or approximately 100%, which was mainly due to the impact of a year-on-year decrease in the net profit for the period from the associates and joint ventures of the Group.

## **Accrual of credit losses**

Accrual of credit losses of the Group in the first half of 2020 was RMB7.395 million (the corresponding period in 2019: RMB6.685 million), representing a year-on-year increase of accrual of credit losses of RMB0.71 million or approximately 11%, which was mainly due to a year-on-year increase in accrual of credit losses resulting from consolidation of Zhong Yue Tong Company.

## **Impairment Losses**

Impairment losses of the Group in the first half of 2020 was RMB5.897 million (in the corresponding period in 2019: RMB1.587 million), representing a year-on-year increase of RMB4.310 million or approximately 272%, which was mainly due to a year-on-year increase in impairment losses resulting from consolidation of Zhong Yue Tong Company.



## Management Discussion and Analysis

### Gains from Asset Disposals

Gains from asset disposals of the Group in the first half of 2020 amounted to RMB0.621 million (the corresponding period in 2019: RMB29.094 million), representing a year-on-year decrease of RMB28.473 million or approximately 98%, which was mainly due to a year-on-year decrease in the disposal of assets.

### Non-Operating Income and Expenses

The net amount of non-operating income and expenses in the first half of 2020 incurred a net income of RMB16.502 million (the corresponding period in 2019: net expenditure of RMB0.253 million), representing a year-on-year increase in net income of RMB16.755 million or approximately 6,623%, mainly due to an increase in the non-recurring government subsidies.

### Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards 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 preferential financial policies during the Pandemic to obtain financing with low costs to optimize financial structure and lower overall financial cost. 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 fund utilization. In the first half of 2020, 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 RMB3,462.698 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 2020      | 31 December 2019 |
|--|-------------------|------------------|
|  | RMB'000           | RMB'000          |
| Borrowings (from banks and other financial institutions) | <b>2,872,913</b>  | 2,668,511        |
| Less: Cash and cash equivalents                          | <b>1,164,678</b>  | 1,163,481        |
| Net debt   | <b>1,708,235</b>  | 1,505,030        |
| Total liabilities  | <b>7,852,528</b>  | 7,608,084        |
| Total shareholder's equity                               | <b>3,360,835</b>  | 3,486,922        |
| Total equity   | <b>5,069,070</b>  | 4,991,952        |
| Total assets   | <b>11,213,363</b> | 11,095,005       |
| Gearing ratio  | <b>33.70%</b>     | 30.15%           |
| Asset to liability ratio                                 | <b>70.03%</b>     | 68.57%           |

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 2020, the Group satisfied its requirement for payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term liabilities with low interest rates. Cash and cash equivalents 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) | For the six months ended June 30 |            |           |
|-------------------------------|----------------------------------|------------|-----------|
|                               | 2020                             | 2019       | Change    |
|                               | RMB'000                          | RMB'000    | RMB'000   |
|                               |                                  | (Restated) |           |
| Operating activities          | <b>352,216</b>                   | 737,638    | (385,422) |
| Investing activities          | <b>(413,786)</b>                 | (536,862)  | 123,076   |
| Financing activities          | <b>59,368</b>                    | (100,536)  | 159,904   |

# Management Discussion and Analysis

## Operating activities

In the first half of 2020, the Group's net inflow from operating activities amounted to RMB352.216 million (the corresponding period in 2019: net inflow of RMB737.638 million), A year-on-year decrease of RMB385.422 million in the net inflow was mainly due to the impact of the Pandemic, which resulted in a decrease in the cash received from sale of goods and rendering of services in the period.

## Investing activities

In the first half of 2020, the net cash outflow from investing activities was RMB413.786 million (the corresponding period in 2019: net cash outflow of RMB536.862 million), representing a decrease in net outflow of RMB123.076 million, which was mainly attributable to a year-on-year decrease in payment for acquisition of fixed assets, intangible assets and other long-term assets, as a result of the Group's effort in managing its investment scale.

## Financing activities

In the first half of 2020, the net cash inflow from financing activities was RMB59.368 million (the corresponding period in 2019: net outflow of RMB100.536 million), representing an increase in net inflow of RMB159.904 million, which was mainly attributable to a year-on-year increase in proceeds from borrowings.

## Borrowings

As of 30 June 2020, outstanding borrowings of the Group was RMB2,872.913 million (31 December 2019: RMB2,668.511 million), comprising (i) unsecured short-term loans of RMB204.637 million (31 December 2019: RMB109.900 million); (ii) secured or pledged short-term loans of RMB193.338 million (31 December 2019: RMB111.174 million); (iii) unsecured long-term loans of RMB836.056 million (31 December 2019: RMB873.283 million); (iv) secured or pledged long-term loans of RMB630.297 million (31 December 2019: RMB548.368 million); (v) finance lease payables of RMB270.491 million (31 December 2019: 288.290 million); and (vi) bonds payable of RMB738.094 million (31 December 2019: RMB737.496 million). As of 30 June 2020, 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 41%.

## Material subsequent events

Nil.

## 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  | 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 City   | 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 2020, fixed assets at the net value of approximately RMB453.591 million (31 December 2019: RMB403.898 million) and land use rights at the net value of RMB280.295 million (31 December 2019: RMB243.701 million) of the Group were pledged as security for borrowings of the Group. As at 30 June 2020, transportation vehicles at net value of approximately RMB242.664 million (31 December 2019: RMB272.391 million) of the Group were pledged as security for lease.

### 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 2020, 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 2020, the Group had no material contingent liabilities.

### SHARE CAPITAL

As at 30 June 2020, 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 2020, the controlling shareholders and the actual controller of the Company remained unchanged.

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

As at 30 June 2020, 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 2020 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 MAJOR SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2020, 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 |
|--|-----------------|---|--------------------------------------|---|---------------------------------|
| GCGC                                   | Domestic Shares | 592,847,800                                       | Beneficial owner                     | 100%  | 74.12%                          |
| China Petrochemical Corporation        | H Shares        | 33,570,000<br>(Note 2)                            | Interests of controlled corporations | 16.22%  | 4.20%                           |
| China Petroleum & Chemical Corporation | H Shares        | 33,570,000<br>(Note 2)                            | Interests of controlled corporations | 16.22%  | 4.20%                           |
| Sinopec Sales Company Limited          | H Shares        | 33,570,000<br>(Note 2)                            | Interests of controlled corporations | 16.22%  | 4.20%                           |
| Sinopec (Hong Kong) Limited            | H Shares        | 33,570,000<br>(Note 2)                            | Beneficial owner                     | 16.22%  | 4.20%                           |
| Pope Asset Management, LLC             | H Shares        | 23,816,747  | Investment manager                   | 11.51%  | 2.98%                           |
| 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 Petroleum & Chemical Corporation holds as to 70.42% of Sinopec Sales Company Limited while China Petrochemical Corporation holds as to 70.86% of China Petroleum & Chemical Corporation. Accordingly, China Petrochemical Corporation, China Petroleum & Chemical Corporation and Sinopec Sales Company Limited are deemed to be interested in 33,570,000 H shares held by Sinopec (Hong Kong) Limited, respectively.

Save as disclosed above, as at 30 June 2020, the Company was not aware of any other interests or short positions in the shares or underlying shares of the Company that are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CHANGES IN SHARES

There is no change in shares of the Company for the six months ended 30 June 2020.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2020, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company for the six months ended 30 June 2020.

## 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 2020, 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, 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/<br>Supervisor | Capacity            | Number of<br>shares held | Approximate<br>percentage in<br>the relevant<br>class of<br>share capital |
|--|---------------------------------|---------------------|--------------------------|---|
| Guangdong Yueyun Transportation<br>Company Limited | Zhang Xian                      | Beneficial<br>owner | 10,000                   | 0.005%  |

Except as disclosed above, as at 30 June 2020, 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/<br>Supervisor | Capacity            | Number of<br>shares held | Approximate<br>percentage in<br>the relevant<br>class of<br>share capital |
|---|---------------------------------|---------------------|--------------------------|---|
| Guangdong Provincial Expressway<br>Development Co. Ltd. | Chen Chuxuan                    | Beneficial<br>owner | 5,987                    | 0.00046%  |
| Guangdong Provincial Expressway<br>Development Co. Ltd. | Zhen Jianhui                    | Beneficial<br>owner | 9,209                    | 0.00071%  |

Except as disclosed above, as at 30 June 2020, 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 shareholders' value.

For the six months ended 30 June 2020, the Company had complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## 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. 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 2020.

## BOARD

As at 30 June 2020 and up to the date of this report, the Directors in office were as follows:

| <b>Name</b>   | <b>Date of appointment as a Director</b> | <b>Date of resignation as a Director</b> |
|---|--|--|
| <b>Executive Directors</b>  |  |  |
| Mr. Xuan Zongmin (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012) | 6 June 2012                              | N/A                                      |
| Mr. Tang Yinghai (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012) | 6 June 2012                              | N/A                                      |
| Mr. Yao Hanxiong  | 18 December 2012                         | N/A                                      |
| Mr. Wen Wu  | 15 August 2018                           | N/A                                      |
| Mr. Zhang Xian  | 22 July 2019                             | N/A                                      |
| <b>Non-executive Directors</b>  |  |  |
| Mr. Chen Min  | 7 June 2016                              | N/A                                      |
| Mr. Chen Chuxuan  | 17 June 2019                             | N/A                                      |
| <b>Independent Non-executive Directors</b>  |  |  |
| 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                                      |

## CHANGES IN DIRECTORS AND SUPERVISORS' PARTICULARS

There were no changes in particulars of Directors, Supervisors and the chief executive officer required to be disclosed under Rule 13.51B (1) of the Listing Rules.

## Other Information

### 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 2020, 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 2020 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 2020 in accordance with Chinese Standards on Review No. 2101-Engagements to Review Financial Statements issued by the Chinese Institute of Certified Public Accountants.

### SUPERVISORY COMMITTEE

As at 30 June 2020 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 |
|--|---|-------------------------------------|
| <b>Shareholder Supervisors</b>                         |   |                                     |
| Mr. Hu Xianhua (Chairman of the Supervisory Committee) | 7 June 2016                                   | N/A                                 |
| Mr. Wang Qingwei                                       | 7 June 2016                                   | N/A                                 |
| <b>Employee Representative Supervisors</b>             |   |                                     |
| Mr. Zhen Jianhui                                       | 15 April 2014                                 | N/A                                 |
| Ms. Li Xiangrong                                       | 7 June 2016                                   | N/A                                 |
| Ms. Lian Yuebin  | 15 August 2017                                | N/A                                 |
| <b>Independent Supervisors</b>                         |   |                                     |
| Mr. Dong Yihua   | 7 June 2016                                   | N/A                                 |
| Mr. Lin Hai  | 7 June 2016                                   | N/A                                 |

### EMPLOYEES AND REMUNERATION POLICIES

The Group had 24,629 employees as at 30 June 2020 (31 December 2019: 24,703). Total staff costs for the six months ended 30 June 2020, including the Directors' remuneration, amounted to approximately RMB874 million (the corresponding period in 2019: approximately RMB986 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 2020, the Group has conducted a total of 285 training courses (excluding network training courses) with 19,440 participants and total curriculum duration of approximately 34,962 hours. Among them, 49 management skills training courses (accounting for 17% of the total number of the training courses), 76 general skills training courses (accounting for 27% of the total number of the training courses), 135 professional skills training courses (accounting for 47% of the total number of the training courses) and 25 other skills training courses (accounting for 9% of the total number of the training courses) were held. In addition, the Company has conducted a total of 65 online pre-job training specific courses with 17,973 participants and total curriculum duration of approximately 316,943 hours. Self-evaluation on the internal and external trainings by the participants showed that overall satisfaction rate was above 93% 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 2020.

### 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 annual general meeting for a term of office until the close of the next annual general meeting of the Company.

## Other Information

### 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. In 2019, the Company was awarded a total amount of RMB5,301,120.45 in the bankruptcy case. Currently, the combined bankruptcy case is ongoing. The Company has made full provision for the impairment regarding the above mentioned defaulted prepayment and will continue to strengthen its effort to recover the same. Currently, the possibility of recovering the related prepayment remains uncertain.



All Shareholders of Guangdong Yueyun Transportation Company Limited:

We have reviewed the accompanying interim financial report of Guangdong Yueyun Transportation Company Limited (“Yueyun Transportation”), which comprises the consolidated and company balance sheets as at 30 June 2020, 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  
14 August 2020

# Consolidated Balance Sheet (unaudited)

as at 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | As at<br>30 June 2020    | As at<br>31 December 2019 |
|---|--------|--------------------------|---------------------------|
| <b>Assets</b>                           |        |                          |                           |
| <b>Current Assets</b>                   |        |                          |                           |
| Cash at bank and on hand                |        | 1,180,929,150.56         | 1,180,551,897.43          |
| Bills receivable                        |        | 143,208.00               | 678,800.00                |
| Accounts receivable                     | 1      | 457,371,654.69           | 382,747,473.53            |
| Prepayments                             |        | 364,296,878.47           | 268,916,914.67            |
| Other receivables                       |        | 512,819,166.31           | 519,210,319.87            |
| Inventories                             |        | 100,428,169.80           | 95,699,288.59             |
| Non-current assets due within one year  |        | 1,267,002.98             | 1,269,554.64              |
| Other current assets                    |        | 66,948,265.61            | 63,472,662.40             |
| <b>Total current assets</b>             |        | <b>2,684,203,496.42</b>  | <b>2,512,546,911.13</b>   |
| <b>Non-current assets</b>               |        |                          |                           |
| Long-term receivables                   |        | 90,842.89                | 571,376.73                |
| Long-term equity investments            |        | 377,297,013.83           | 428,963,608.71            |
| Investments in other equity instruments | 2      | 4,224,048.22             | 4,224,048.22              |
| Investment properties                   |        | 110,426,529.90           | 111,939,500.41            |
| Fixed assets                            | 3      | 3,900,363,331.65         | 3,888,448,732.01          |
| Construction in progress                |        | 246,288,377.02           | 407,199,387.20            |
| Right-of-use assets                     | 26     | 1,980,100,028.03         | 1,917,778,638.89          |
| Intangible assets                       | 4      | 1,062,967,562.19         | 1,091,154,911.08          |
| Goodwill                                |        | 112,617,543.73           | 110,976,227.51            |
| Long-term deferred expenses             |        | 212,463,519.27           | 150,002,433.13            |
| Deferred tax assets                     |        | 281,174,185.05           | 242,568,659.60            |
| Other non-current assets                |        | 241,146,767.46           | 228,631,046.84            |
| <b>Total non-current assets</b>         |        | <b>8,529,159,749.24</b>  | <b>8,582,458,570.33</b>   |
| <b>Total assets</b>                     |        | <b>11,213,363,245.66</b> | <b>11,095,005,481.46</b>  |

The notes on pages 56 to 164 form part of this interim financial report.

# Consolidated Balance Sheet (unaudited)

as at 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | As at<br>30 June 2020   | As at<br>31 December 2019 |
|---|--------|-------------------------|---------------------------|
| <b>Liabilities and shareholders' equity</b> |        |                         |                           |
| <b>Current liabilities</b>                  |        |                         |                           |
| Short-term loans                            | 5      | 397,975,156.19          | 221,074,050.00            |
| Bills payable                               |        | 58,637,000.00           | 55,300,000.00             |
| Accounts payable                            | 6      | 733,857,296.52          | 812,491,280.36            |
| Advances from customers                     |        | 108,009,392.69          | 119,032,210.06            |
| Contract liabilities                        |        | 37,302,979.41           | 34,690,337.75             |
| Employee benefits payable                   |        | 192,063,188.81          | 193,727,085.96            |
| Taxes payable                               |        | 85,726,471.71           | 108,239,478.93            |
| Other payables                              |        | 838,223,147.20          | 817,774,971.08            |
| Non-current liabilities due within one year | 7      | 1,093,779,914.22        | 995,756,539.66            |
| <b>Total current liabilities</b>            |        | <b>3,545,574,546.75</b> | <b>3,358,085,953.80</b>   |
| <b>Non-current liabilities</b>              |        |                         |                           |
| Long-term loans                             | 8      | 1,012,013,485.24        | 976,588,520.21            |
| Bonds payable                               | 9      | 398,430,606.85          | 398,161,553.41            |
| Lease liabilities                           | 26     | 1,915,327,023.66        | 1,848,330,046.38          |
| Long-term payables                          |        | 200,527,349.52          | 210,148,675.76            |
| Long-term employee benefits payable         |        | 187,388,809.56          | 188,698,759.30            |
| Provisions                                  |        | –                       | 125,594.00                |
| Deferred income                             |        | 531,095,430.15          | 558,188,105.99            |
| Deferred tax liabilities                    |        | 62,171,225.99           | 69,756,482.71             |
| <b>Total non-current liabilities</b>        |        | <b>4,306,953,930.97</b> | <b>4,249,997,737.76</b>   |
| <b>Total liabilities</b>                    |        | <b>7,852,528,477.72</b> | <b>7,608,083,691.56</b>   |

The notes on pages 56 to 164 form part of this interim financial report.

# Consolidated Balance Sheet (unaudited)

as at 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | As at<br>30 June 2020    | As at<br>31 December 2019 |
|---|--------|--------------------------|---------------------------|
| <b>Liabilities and shareholders' equity (continued)</b> |        |                          |                           |
| <b>Shareholders' equity</b>                             |        |                          |                           |
| Share capital   |        | 799,847,800.00           | 799,847,800.00            |
| Capital reserve   |        | 18,800,491.50            | 18,800,491.50             |
| Other comprehensive income                              |        | (13,378,037.10)          | (17,326,859.28)           |
| Special reserve   |        | 27,325,015.44            | 23,523,945.80             |
| Surplus reserve   |        | 203,389,142.12           | 203,389,142.12            |
| Retained earnings                                       | 10     | 1,179,640,796.47         | 1,291,081,241.71          |
| Equity attributable to shareholders of the Company      |        | 2,215,625,208.43         | 2,319,315,761.85          |
| Non-controlling interests                               |        | 1,145,209,559.51         | 1,167,606,028.05          |
| <b>Total shareholders' equity</b>                       |        | <b>3,360,834,767.94</b>  | <b>3,486,921,789.90</b>   |
| <b>Total liabilities and shareholders' equity</b>       |        | <b>11,213,363,245.66</b> | <b>11,095,005,481.46</b>  |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 form part of this interim financial report.

# Company Balance Sheet (unaudited)

as at 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | As at<br>30 June 2020   | As at<br>31 December 2019 |
|---|--------|-------------------------|---------------------------|
| <b>Assets</b>                           |        |                         |                           |
| <b>Current assets</b>                   |        |                         |                           |
| Cash at bank and on hand                |        | 580,211,478.17          | 575,899,312.83            |
| Accounts receivable                     | 1      | 113,062,706.86          | 129,738,663.82            |
| Prepayments                             |        | 25,201,407.85           | 47,313,481.56             |
| Other receivables                       |        | 161,359,416.52          | 162,744,344.76            |
| Inventories                             |        | 114,172.45              | 260,508.51                |
| Other current assets                    |        | 10,379,424.62           | 9,123,326.08              |
| <b>Total current assets</b>             |        | <b>890,328,606.47</b>   | <b>925,079,637.56</b>     |
| <b>Non-current assets</b>               |        |                         |                           |
| Long-term receivables                   |        | 49,200,000.00           | 50,600,000.00             |
| Long-term equity investments            |        | 1,822,308,218.44        | 1,815,043,879.96          |
| Investments in other equity instruments | 2      | 1,377,412.45            | 1,377,412.45              |
| Fixed assets                            | 3      | 7,316,710.81            | 7,814,913.76              |
| Construction in progress                |        | 4,898,493.20            | 4,564,848.41              |
| Right-of-use assets                     | 26     | 3,306,447.87            | 3,541,883.51              |
| Intangible assets                       | 4      | 80,772,889.67           | 90,789,482.87             |
| Long-term deferred expenses             |        | 280,931.88              | 359,160.26                |
| Deferred tax assets                     |        | 141,981,930.00          | 139,584,776.84            |
| Other non-current assets                |        | –                       | 90,000.00                 |
| <b>Total non-current assets</b>         |        | <b>2,111,443,034.32</b> | <b>2,113,766,358.06</b>   |
| <b>Total assets</b>                     |        | <b>3,001,771,640.79</b> | <b>3,038,845,995.62</b>   |

The notes on pages 56 to 164 form part of this interim financial report.



# Company Balance Sheet (unaudited)

as at 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | As at<br>30 June 2020   | As at<br>31 December 2019 |
|---|--------|-------------------------|---------------------------|
| <b>Liabilities and shareholders' equity</b> |        |                         |                           |
| <b>Current liabilities</b>                  |        |                         |                           |
| Short-term loans                            | 5      | 95,000,000.00           | 95,000,000.00             |
| Bills payable                               |        | 37,800,000.00           | 55,300,000.00             |
| Accounts payable                            | 6      | 47,957,078.02           | 47,091,065.67             |
| Contract liabilities                        |        | 14,396,328.32           | 16,356,988.35             |
| Employee benefits payable                   |        | 18,494,482.74           | 19,269,251.64             |
| Taxes payable                               |        | 1,336,008.25            | 6,806,365.51              |
| Other payables                              |        | 524,620,710.75          | 556,730,024.93            |
| Non-current liabilities due within one year | 7      | 352,756,152.50          | 343,528,312.33            |
| <b>Total current liabilities</b>            |        | <b>1,092,360,760.58</b> | <b>1,140,082,008.43</b>   |
| <b>Non-current liabilities</b>              |        |                         |                           |
| Long-term loans                             | 8      | 160,337,750.00          | 141,230,000.00            |
| Bonds payable                               | 9      | 398,430,606.85          | 398,161,553.41            |
| Lease liabilities                           | 26     | 1,799,361.49            | 1,746,694.61              |
| <b>Total non-current liabilities</b>        |        | <b>560,567,718.34</b>   | <b>541,138,248.02</b>     |
| <b>Total liabilities</b>                    |        | <b>1,652,928,478.92</b> | <b>1,681,220,256.45</b>   |

The notes on pages 56 to 164 form part of this interim financial report.

# Company Balance Sheet (unaudited)

as at 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | As at<br>30 June 2020   | As at<br>31 December 2019 |
|---|--------|-------------------------|---------------------------|
| <b>Liabilities and shareholders' equity (continued)</b> |        |                         |                           |
| <b>Shareholders' equity</b>                             |        |                         |                           |
| Share capital   |        | 799,847,800.00          | 799,847,800.00            |
| Capital reserve   |        | 128,513,590.23          | 128,513,590.23            |
| Surplus reserve   |        | 203,936,381.75          | 203,936,381.75            |
| Retained earnings                                       | 10     | 216,545,389.89          | 225,327,967.19            |
| <b>Total shareholders' equity</b>                       |        | <b>1,348,843,161.87</b> | 1,357,625,739.17          |
| <b>Total liabilities and shareholders' equity</b>       |        | <b>3,001,771,640.79</b> | 3,038,845,995.62          |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 form part of this interim financial report.

# Consolidated Income Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|   | Note V | For the six months ended 30 June<br>2020 | 2019<br>(Restated) |
|---|--------|--|--------------------|
| <b>I. Operating income</b>  |        | <b>2,601,847,080.47</b>                  | 3,283,298,632.09   |
| Less: Operating costs   |        | <b>2,580,358,366.56</b>                  | 2,672,422,732.04   |
| Taxes and surcharges  |        | <b>17,632,607.05</b>                     | 21,134,346.78      |
| Selling and distribution expenses   |        | <b>30,629,551.90</b>                     | 34,191,425.37      |
| General and administrative expenses   |        | <b>286,785,677.90</b>                    | 355,025,797.45     |
| Research and development expenses   |        | <b>40,980.97</b>                         | –                  |
| Financial expenses  | 11     | <b>113,022,090.43</b>                    | 89,603,540.05      |
| Including: Interest expenses  |        | <b>53,507,531.07</b>                     | 41,792,360.47      |
| Interest income   |        | <b>8,466,464.40</b>                      | 9,437,020.15       |
| Add: Other income   | 14     | <b>245,434,154.44</b>                    | 182,542,650.73     |
| Investment income   | 15     | <b>3,922.21</b>                          | 19,060,139.80      |
| Including: (Loss)/income from investments in<br>associates and joint ventures |        | <b>(1,406,500.43)</b>                    | 19,588,847.49      |
| Accrual of credit losses  | 12     | <b>(7,394,597.79)</b>                    | (6,684,783.89)     |
| Impairment losses   | 13     | <b>(5,897,186.88)</b>                    | (1,586,775.40)     |
| Gains from asset disposals  | 16     | <b>621,213.46</b>                        | 29,094,239.55      |
| <b>II. Operating (loss)/profit</b>  |        | <b>(193,854,688.90)</b>                  | 333,346,261.19     |
| Add: Non-operating income   | 17     | <b>28,756,932.60</b>                     | 6,038,556.44       |
| Less: Non-operating expenses  |        | <b>12,255,700.42</b>                     | 6,291,530.99       |
| <b>III. (Loss)/profit before income tax</b>                                   |        | <b>(177,353,456.72)</b>                  | 333,093,286.64     |
| Less: Income tax expenses   | 18     | <b>5,117,812.89</b>                      | 78,630,955.70      |

The notes on pages 56 to 164 form part of this interim financial report.

# Consolidated Income Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

## For the six months ended 30 June

|  | 2020                           | 2019<br>(Restated)    |
|--|--------------------------------|-----------------------|
| <b>IV. Net (loss)/profit for the period</b>  | <b><u>(182,471,269.61)</u></b> | <u>254,462,330.94</u> |
| (1) Net (loss)/profit classified by continuity of operations                                 |                                |                       |
| 1. Net (loss)/profit from continuing operations  | <b><u>(182,471,269.61)</u></b> | 254,462,330.94        |
| 2. Net profit from discontinued operations   | <u>—</u>                       | <u>—</u>              |
| (2) Net (loss)/profit classified by ownership  |                                |                       |
| 1. Non-controlling interests   | <b><u>(71,030,824.37)</u></b>  | 48,316,042.85         |
| 2. Shareholders of the Company   | <b><u>(111,440,445.24)</u></b> | <u>206,146,288.09</u> |
| <b>V. Other comprehensive income, net of tax</b>   |                                |                       |
| Other comprehensive income (net of tax) attributable to shareholders of the Company          | <b>3,948,822.18</b>            | 747,913.84            |
| (1) Items that will not be reclassified to profit or loss:                                   |                                |                       |
| 1. Remeasurement of defined benefit plan   | <b>(292,556.24)</b>            | (409,356.42)          |
| (2) Items that may be reclassified to profit or loss:  |                                |                       |
| 1. Translation differences arising from translation of foreign currency financial statements | <b>4,241,378.42</b>            | 1,157,270.26          |
| Other comprehensive income (net of tax) attributable to non-controlling interests            | <b><u>2,332,487.32</u></b>     | <u>609,473.25</u>     |

The notes on pages 56 to 164 form part of this interim financial report.

# Consolidated Income Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|  |        | <b>For the six months ended 30 June</b> |                       |
|--|--------|---|-----------------------|
|  | Note V | <b>2020</b>                             | 2019<br>(Restated)    |
| <b>VI. Total comprehensive income for the period</b> |        | <b><u>(176,189,960.11)</u></b>          | <u>255,819,718.03</u> |
| Attributable to:                                     |        |   |                       |
| Shareholders of the Company                          |        | <b><u>(107,491,623.06)</u></b>          | 206,894,201.93        |
| Non-controlling interests                            |        | <b><u>(68,698,337.05)</u></b>           | <u>48,925,516.10</u>  |
| <b>VII. Earnings per share</b>                       |        |   |                       |
| (I) Basic earnings per share                         | 20     | <b><u>(0.14)</u></b>                    | 0.26                  |
| (II) Diluted earnings per share                      | 20     | <b><u>(0.14)</u></b>                    | <u>0.26</u>           |

Note: For a business combination involving entities under common control which occurred in November 2019, the net profit of the investees for the six months ended 30 June 2019 was RMB20,257,753.17. The financial position of the investees as at 31 December 2019, and the financial performance and cash flows of the investees for the six months ended 30 June 2019 have been included in the comparative figures of the consolidated financial statements.

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 form part of this interim financial report.



# Company Income Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

## For the six months ended 30 June

|  | Note V | 2020                   | 2019           |
|--|--------|------------------------|----------------|
| <b>I. Operating income</b>   |        | <b>162,113,453.02</b>  | 304,355,406.72 |
| Less: Operating costs  |        | <b>157,985,788.71</b>  | 223,454,435.49 |
| Taxes and surcharges   |        | <b>346,667.41</b>      | 407,506.89     |
| Selling and distribution expenses                                      |        | <b>71,333.07</b>       | 153,956.07     |
| General and administrative expenses                                    |        | <b>29,662,799.66</b>   | 38,059,991.73  |
| Financial expenses   | 11     | <b>16,400,137.65</b>   | 12,693,808.22  |
| Including: Interest expenses   |        | <b>21,268,439.56</b>   | 17,304,656.81  |
| Interest income  |        | <b>6,077,357.60</b>    | 5,252,833.11   |
| Add: Investment income   | 15     | <b>28,954,166.90</b>   | 20,040,653.42  |
| Including: Income from investments in associates<br>and joint ventures |        | <b>5,864,338.48</b>    | 5,859,953.42   |
| Reversal of credit losses  | 12     | <b>2,481,373.34</b>    | 5,405,004.26   |
| <b>II. Operating (loss)/profit</b>                                     |        | <b>(10,917,733.24)</b> | 55,031,366.00  |
| Add: Non-operating income  | 17     | –                      | 1,187,221.53   |
| Less: Non-operating expenses   |        | –                      | 2,799,833.65   |
| <b>III. (Loss)/Profit before income tax</b>                            |        | <b>(10,917,733.24)</b> | 53,418,753.88  |
| Less: Income tax expenses  | 18     | <b>(2,135,155.94)</b>  | 11,091,281.78  |

The notes on pages 56 to 164 form part of this interim financial report.

# Company Income Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|  | For the six months ended 30 June |                      |
|--|----------------------------------|----------------------|
|  | 2020                             | 2019                 |
| <b>IV. Net (loss)/profit for the period</b>              | <b>(8,782,577.30)</b>            | <b>42,327,472.10</b> |
| Net (loss)/profit classified by continuity of operations |                                  |                      |
| 1. Net (loss)/profit from continuing operations          | (8,782,577.30)                   | 42,327,472.10        |
| 2. Net profit from discontinued operations               | –                                | –                    |
| <b>V. Other comprehensive income, net of tax</b>         | <b>–</b>                         | <b>–</b>             |
| <b>VI. Total comprehensive income of the period</b>      | <b>(8,782,577.30)</b>            | <b>42,327,472.10</b> |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 form part of this interim financial report.

# Consolidated Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

## For the six months ended 30 June

|   | Note V | 2020             | 2019<br>(Restated) |
|---|--------|------------------|--------------------|
| <b>I. Cash flows from operating activities:</b>       |        |                  |                    |
| Proceeds from sale of goods and rendering of services |        | 2,738,075,115.31 | 3,474,274,753.85   |
| Cash received from other operating activities         |        | 256,168,500.19   | 236,483,480.02     |
| Sub-total of cash inflows                             |        | 2,994,243,615.50 | 3,710,758,233.87   |
| Payment for goods and services                        |        | 1,535,935,710.65 | 1,668,378,346.84   |
| Payment to and for employees                          |        | 893,157,919.20   | 1,028,045,151.49   |
| Payment of various taxes                              |        | 113,139,311.46   | 168,334,297.49     |
| Payment relating to other operating activities        |        | 99,794,884.60    | 108,362,387.68     |
| Sub-total of cash outflows                            |        | 2,642,027,825.91 | 2,973,120,183.50   |
| Net cash inflow from operating activities             | 21(1)  | 352,215,789.59   | 737,638,050.37     |

The notes on pages 56 to 164 form part of this interim financial report.

# Consolidated Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|  | <b>For the six months ended 30 June</b> |                    |
|--|---|--------------------|
|  | <b>2020</b>                             | 2019<br>(Restated) |
| <b>II. Cash flows from investing activities:</b>   |   |                    |
| Cash received from investment  | <b>807,488.72</b>                       | 1,800,000.00       |
| Investment returns received  | <b>14,116,116.00</b>                    | 490,566.22         |
| Net proceeds from acquisition of subsidiaries  | <b>37,375,843.25</b>                    | –                  |
| Net proceeds from disposal of subsidiaries   | <b>861,571.67</b>                       | –                  |
| Net proceeds from disposal of fixed assets,<br>intangible assets and other long-term assets          | <b>26,617,713.68</b>                    | 25,725,541.11      |
| Sub-total of cash inflows  | <b>79,778,733.32</b>                    | 28,016,107.33      |
| Payment for acquisition of fixed assets,<br>intangible assets and other long-term assets             | <b>493,564,912.28</b>                   | 536,117,779.73     |
| Payment for acquisition of investments   | –                                       | 2,255,113.00       |
| Reduction of cash as a result of business combinations<br>involving enterprises under common control | –                                       | 13,948,301.99      |
| Net payment for acquisition of subsidiaries  | –                                       | 9,099,772.30       |
| Reduction of cash as a result of loss of control over<br>subsidiaries                                | –                                       | 3,457,179.60       |
| Sub-total of cash outflows   | <b>493,564,912.28</b>                   | 564,878,146.62     |
| Net cash outflow from investing activities   | <b>(413,786,178.96)</b>                 | (536,862,039.29)   |

The notes on pages 56 to 164 form part of this interim financial report.

# Consolidated Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

## For the six months ended 30 June

|  | Note V | 2020                  | 2019<br>(Restated) |
|--|--------|-----------------------|--------------------|
| <b>III. Cash flows from financing activities:</b>  |        |                       |                    |
| Proceeds from investors  |        | –                     | 4,800,000.00       |
| Proceeds from borrowings   |        | <b>625,937,416.33</b> | 262,788,960.08     |
| Cash received from other financing activities  | 21(4)  | <b>586,397.98</b>     | 1,051,385.41       |
|  |        | <hr/>                 | <hr/>              |
| Sub-total of cash inflows  |        | <b>626,523,814.31</b> | 268,640,345.49     |
|  |        | <hr/>                 | <hr/>              |
| Repayments of borrowings   |        | <b>394,334,353.06</b> | 160,593,926.05     |
| Payment for profit distributions or interest   |        | <b>55,136,539.84</b>  | 59,192,821.08      |
| Including: Dividends and profits paid to non-controlling<br>shareholders of subsidiaries |        | –                     | 33,869,434.56      |
| Payment relating to reduction of capital by<br>non-controlling interests                 |        | –                     | 5,854,500.00       |
| Payment for lease liability principal and interest                                       |        | <b>117,684,493.90</b> | 143,535,489.28     |
|  |        | <hr/>                 | <hr/>              |
| Sub-total of cash outflows   |        | <b>567,155,386.80</b> | 369,176,736.41     |
|  |        | <hr/>                 | <hr/>              |
| Net cash inflow/(outflow) from financing activities                                      |        | <b>59,368,427.51</b>  | (100,536,390.92)   |

The notes on pages 56 to 164 form part of this interim financial report.



# Consolidated Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|   |        | <b>For the six months ended 30 June</b> |                         |
|---|--------|---|-------------------------|
|   | Note V | <b>2020</b>                             | 2019<br>(Restated)      |
| <b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b> |        | <u><b>3,399,772.30</b></u>              | <u>513,066.59</u>       |
| <b>V. Net increase in cash and cash equivalents</b>                             | 21(2)  | <b>1,197,810.44</b>                     | 100,752,686.75          |
| Add: Cash and cash equivalents at the beginning of the period                   |        | <u><b>1,163,480,565.54</b></u>          | <u>1,137,624,205.21</u> |
| <b>VI. Cash and cash equivalents at the end of the period</b>                   | 21(3)  | <u><b>1,164,678,375.98</b></u>          | <u>1,238,376,891.96</u> |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 form part of this interim financial report.

# Company Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

## For the six months ended 30 June

|   | Note V | 2020                   | 2019           |
|---|--------|------------------------|----------------|
| <b>I. Cash flows from operating activities:</b>       |        |                        |                |
| Proceeds from sale of goods and rendering of services |        | <b>194,461,868.68</b>  | 385,828,280.93 |
| Proceeds from other operating activities              |        | <b>1,819,888.57</b>    | 8,974,273.65   |
|   |        | <hr/>                  | <hr/>          |
| Sub-total of cash inflows                             |        | <b>196,281,757.25</b>  | 394,802,554.58 |
|   |        | <hr/>                  | <hr/>          |
| Payment for goods and services                        |        | <b>163,584,119.99</b>  | 239,496,534.14 |
| Payment to and for employees                          |        | <b>19,012,302.52</b>   | 20,263,810.01  |
| Payment of various taxes                              |        | <b>863,604.04</b>      | 18,867,602.64  |
| Payment relating to other operating activities        |        | <b>39,355,929.04</b>   | 26,883,713.87  |
|   |        | <hr/>                  | <hr/>          |
| Sub-total of cash outflows                            |        | <b>222,815,955.59</b>  | 305,511,660.66 |
|   |        | <hr/>                  | <hr/>          |
| Net cash (outflow)/inflow from operating activities   | 21(1)  | <b>(26,534,198.34)</b> | 89,290,893.92  |

The notes on pages 56 to 164 form part of this interim financial report.

# Company Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|  | <b>For the six months ended 30 June</b>     |   |
|--|---|---|
|  | <b>2020</b>                                 | 2019  |
| <b>II. Cash flows from investing activities:</b>   |   |   |
| Investment returns received  | <b>39,936,747.88</b>                        | 4,105,722.32                                |
| Proceeds from disposal of fixed assets   | -   | 38,944.31                                   |
|  | <hr/>                                       | <hr/>                                       |
| Sub-total of cash inflows  | <b>39,936,747.88</b>                        | 4,144,666.63                                |
|  | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Payment for acquisition of fixed assets,<br>intangible assets and other long-term assets | <b>588,509.70</b>                           | 5,420,061.70                                |
| Payment for acquisition of investments   | -   | 5,854,500.00                                |
| Payment relating to other investing activities   | -   | 50,000,000.00                               |
|  | <hr/>                                       | <hr/>                                       |
| Sub-total of cash outflows   | <b>588,509.70</b>                           | 61,274,561.70                               |
|  | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net cash inflow/(outflow) from investing activities                                      | <b>39,348,238.18</b>                        | (57,129,895.07)                             |
|  | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

The notes on pages 56 to 164 form part of this interim financial report.

# Company Cash Flow Statement (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

## For the six months ended 30 June

|  |       | 2020           | 2019           |
|--|-------|----------------|----------------|
| <b>III. Cash flows from financing activities:</b>            |       |                |                |
| Proceeds from borrowings                                     |       | 125,000,000.00 | –              |
| Proceeds relating to other financing activities              | 21(4) | –              | 117,765,889.38 |
|  |       | <hr/>          | <hr/>          |
| Sub-total of cash inflows                                    |       | 125,000,000.00 | 117,765,889.38 |
|  |       | <hr/>          | <hr/>          |
| Repayments of borrowings                                     |       | 97,000,000.00  | –              |
| Payment for interest   |       | 6,362,097.48   | 1,508,150.43   |
| Payment for lease liability principal and interest           |       | –              | 4,137,959.99   |
| Payment relating to other financing activities               | 21(4) | 30,139,777.02  | –              |
|  |       | <hr/>          | <hr/>          |
| Sub-total of cash outflows                                   |       | 133,501,874.50 | 5,646,110.42   |
|  |       | <hr/>          | <hr/>          |
| Net cash (outflow)/inflow from financing activities          |       | (8,501,874.50) | 112,119,778.96 |
|  |       | <hr/>          | <hr/>          |
| <b>IV. Net increase in cash and cash equivalents</b>         | 21(2) | 4,312,165.34   | 144,280,777.81 |
| Add: Cash and cash equivalents                               |       |                |                |
| at the beginning of the period                               |       | 575,899,312.83 | 622,984,930.41 |
|  |       | <hr/>          | <hr/>          |
| <b>V. Cash and cash equivalents at the end of the period</b> | 21(3) | 580,211,478.17 | 767,265,708.22 |
|  |       | <hr/>          | <hr/>          |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 form part of this interim financial report.

# Consolidated Statement of Changes in Shareholders' Equity (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|   | Attributable to shareholders of the Company |                 |                            |                 |                 |                   |                  | Non-controlling interests | Total shareholders' equity |
|---|---|-----------------|----------------------------|-----------------|-----------------|-------------------|------------------|---------------------------|----------------------------|
|   | Share capital                               | Capital reserve | Other comprehensive income |                 | Surplus reserve | Retained earnings | Total            |                           |                            |
|   |   |                 | Special reserve            |                 |                 |                   |                  |                           |                            |
| RMB   | RMB   | RMB             | RMB                        | RMB             | RMB             | RMB               | RMB              | RMB                       |                            |
| I. Balance as at 1 January 2020   | 799,847,800.00                              | 18,800,491.50   | (17,326,859.28)            | 23,523,945.80   | 203,389,142.12  | 1,291,081,241.71  | 2,319,315,761.85 | 1,167,606,028.05          | 3,486,921,789.90           |
| II. Changes in equity during the period   |   |                 |                            |                 |                 |                   |                  |                           |                            |
| 1. Total comprehensive income   | -   | -               | 3,948,822.18               | -               | -               | (111,440,445.24)  | (107,491,623.06) | (68,698,337.05)           | (176,189,960.11)           |
| 2. Shareholders' contributions and reduction                                      |   |                 |                            |                 |                 |                   |                  |                           |                            |
| - Disposal of a subsidiary  | -   | -               | -                          | -               | -               | -                 | -                | (4,339,845.45)            | (4,339,845.45)             |
| - Effect of a business combination involving enterprises not under common control | -   | -               | -                          | -               | -               | -                 | -                | 48,666,005.58             | 48,666,005.58              |
| 3. Special reserve  |   |                 |                            |                 |                 |                   |                  |                           |                            |
| - Increase  | -   | -               | -                          | 19,709,145.57   | -               | -                 | 19,709,145.57    | 9,829,516.38              | 29,538,661.95              |
| - Decrease  | -   | -               | -                          | (15,908,075.93) | -               | -                 | (15,908,075.93)  | (7,853,808.00)            | (23,761,883.93)            |
| Sub-total   | -   | -               | 3,948,822.18               | 3,801,069.64    | -               | (111,440,445.24)  | (103,690,553.42) | (22,396,468.54)           | (126,087,021.96)           |
| III. Balance as at 30 June 2020   | 799,847,800.00                              | 18,800,491.50   | (13,378,037.10)            | 27,325,015.44   | 203,389,142.12  | 1,179,640,796.47  | 2,215,625,208.43 | 1,145,209,559.51          | 3,360,834,767.94           |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**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 56 to 164 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 |                 |                            |                 |                 |                   |                  | Non-controlling interests | Total shareholders' equity |
|--|-------|---|-----------------|----------------------------|-----------------|-----------------|-------------------|------------------|---------------------------|----------------------------|
|  |       | Share capital                               | Capital reserve | Other comprehensive income | Special reserve | Surplus reserve | Retained earnings | Total            |                           |                            |
|  |       | RMB   | RMB             | RMB                        | RMB             | RMB             | RMB               | RMB              |                           |                            |
| I. Balance as at 31 December 2018  |       | 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           |
| Add: Effect of a business combination involving enterprises under common control |       | -   | 148,751,040.22  | -                          | 23,386,905.15   | -               | (51,807,751.60)   | 120,330,193.77   | 1,069,454.92              | 121,399,648.69             |
| II. Balance as at 1 January 2019 (Restated)                                      |       | 799,847,800.00                              | 167,551,531.72  | (23,237,976.16)            | 50,934,741.35   | 193,639,642.56  | 1,174,583,143.55  | 2,363,318,883.02 | 1,143,169,347.68          | 3,506,488,230.70           |
| III. Changes in equity during the period   |       |   |                 |                            |                 |                 |                   |                  |                           |                            |
| 1. Total comprehensive income  |       | -   | -               | 747,913.84                 | -               | -               | 206,146,288.09    | 206,894,201.93   | 48,925,516.10             | 255,819,718.03             |
| 2. Shareholders' contributions and reduction                                     |       |   |                 |                            |                 |                 |                   |                  |                           |                            |
| - Acquisition of non-controlling interests                                       |       | -   | -               | -                          | -               | (943,494.28)    | -                 | (943,494.28)     | (4,911,005.72)            | (5,854,500.00)             |
| - Effect of a business combination involving enterprises under common control    |       |   |                 |                            |                 |                 |                   |                  |                           |                            |
| - Contribution by the original owners  |       | -   | 15,661,367.54   | -                          | -               | -               | -                 | 15,661,367.54    | -                         | 15,661,367.54              |
| - Other changes  |       | -   | -               | -                          | (20,561,095.35) | -               | (30,613,846.09)   | (51,174,941.44)  | -                         | (51,174,941.44)            |
| 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   |       | -   | -               | -                          | 17,677,440.99   | -               | -                 | 17,677,440.99    | 8,451,205.70              | 26,128,646.69              |
| - Decrease   |       | -   | -               | -                          | (17,719,557.89) | -               | -                 | (17,719,557.89)  | (7,599,692.42)            | (25,319,250.31)            |
| Sub-total  |       | -   | 15,661,367.54   | 747,913.84                 | (20,603,212.25) | (943,494.28)    | 39,558,316.00     | 34,420,890.85    | 33,776,813.66             | 68,197,704.51              |
| IV. Balance as at 30 June 2019 (Restated)  |       | 799,847,800.00                              | 183,212,899.26  | (22,490,062.32)            | 30,331,529.10   | 192,696,148.28  | 1,214,141,459.55  | 2,397,739,773.87 | 1,176,946,161.34          | 3,574,685,935.21           |

The notes on pages 56 to 164 form part of this interim financial report.

# Company Statement of Changes in Shareholders' Equity (unaudited)

for the six months ended 30 June 2020

(Expressed in Renminbi Yuan)

|   | Share<br>capital<br>RMB | Capital<br>reserve<br>RMB | Special<br>reserve<br>RMB | Surplus<br>reserve<br>RMB | Retained<br>earnings<br>RMB | Total<br>equity<br>RMB |
|---|-------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|------------------------|
| I. Balance as at 1 January 2020         | 799,847,800.00          | 128,513,590.23            | -                         | 203,936,381.75            | 225,327,967.19              | 1,357,625,739.17       |
| II. Changes in equity during the period |                         |                           |                           |                           |                             |                        |
| 1. Total comprehensive income           | -                       | -                         | -                         | -                         | (8,782,577.30)              | (8,782,577.30)         |
| 2. Special reserve                      |                         |                           |                           |                           |                             |                        |
| - Increase                              | -                       | -                         | 42,160.00                 | -                         | -                           | 42,160.00              |
| - Decrease                              | -                       | -                         | (42,160.00)               | -                         | -                           | (42,160.00)            |
| Sub-total                               | -                       | -                         | -                         | -                         | (8,782,577.30)              | (8,782,577.30)         |
| III. Balance as at 30 June 2020         | 799,847,800.00          | 128,513,590.23            | -                         | 203,936,381.75            | 216,545,389.89              | 1,348,843,161.87       |

This interim financial report was approved by the Board of Directors of the Company on 14 August 2020.

**Xuan Zongmin**  
Legal representative  
*(Signature and stamp)*

**Wen Wu**  
The person in charge  
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**Leng Xuelin**  
The head of the  
accounting department  
*(Signature and stamp)*

*(Company Stamp)*

The notes on pages 56 to 164 form part of this interim financial report.

# Company Statement of Changes in Shareholders' Equity (unaudited)

for the six months ended 30 June 2019

(Expressed in Renminbi Yuan)

|   | Note  | Share capital<br>RMB | Capital reserve<br>RMB | Special reserve<br>RMB | Surplus reserve<br>RMB | Retained earnings<br>RMB | Total equity<br>RMB |
|---|-------|----------------------|------------------------|------------------------|------------------------|--------------------------|---------------------|
| I. Balance as at 1 January 2019         |       | 799,847,800.00       | 210,546,645.59         | -                      | 191,938,695.80         | 253,322,919.63           | 1,455,656,061.02    |
| II. 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)     |
| III. 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    |

The notes on pages 56 to 164 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 RMB1 per H share on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), including 125,454,545 new H shares, and 12,545,455 H shares converted from domestic shares. The registered capital of the Company was changed to RMB417,641,867.00 after the placing and public offer.

According to the resolution of the Annual General Meeting held on 11 June 2015, the Company issued two bonus shares for every 10 shares by way of the capitalisation of the retained earnings and three shares for every 10 shares by way of the capitalisation of the share premium based on the total share capital of 417,641,867 shares of the Company as at 31 December 2014. The registered capital of the Company was changed to RMB626,462,800.00 accordingly.

On 24 March 2016, Guangdong Provincial Communication Group Company Limited ("GCGC") executed the conversion of the Perpetual Subordinated Convertible Securities ("PSCS") held by it with a principal amount of RMB281,810,000.00 into domestic ordinary shares of the Company, which resulted in an increase of the Company's ordinary shares of 173,385,000. The registered capital of the Company was changed to RMB799,847,800.00 accordingly.

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

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

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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.

As at 30 June 2020, the Group's and the Company's current liabilities exceeded their current assets by RMB861,371,050.33 and RMB202,032,154.11 respectively. As of 30 June 2020, the Group and the Company have obtained the unutilised general facility of RMB3,462,698,000.00 and RMB2,691,230,000.00 granted by financial institutions, and the Group and the Company are expected to have sufficient financial support to pay off debts in the next 12 months, so the financial statements are still prepared on the basis of going concern.

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

### 2 Statement of compliance

The Group's interim financial report complies with the requirements of "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting", and presents truly and completely the consolidated financial position and financial position of the Company as at 30 June 2020, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the period then ended.

### 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.



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 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.

#### *(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.

## 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***

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.

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

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

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

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 6 Preparation of consolidated financial statements

#### *(1) General principles*

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

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

## 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.

### 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.



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

### 9 Foreign currency transactions and translation of financial statements denominated in foreign currencies *(continued)*

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.

#### ***(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").

# 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)*

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

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

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

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

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

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

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

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

### 10 Financial instruments *(continued)*

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

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

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

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

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

###### – Financial assets at FVTPL

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

###### – Financial assets at amortised cost

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

# 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)**

- 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.

## 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.

## 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.

## 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.



## 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.

## 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.

## 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<br>(years) | Residual<br>value rate (%) | Annual<br>depreciation<br>rate (%) |
|---|-------------------------|----------------------------|------------------------------------|
| Buildings and structures                          | 10 – 60                 | 0 – 5                      | 1.58 – 10.00                       |
| Building improvements                             | 3 – 5                   | 0                          | 20.00 – 33.33                      |
| Transportation vehicles                           | 4 – 8                   | 0 – 5                      | 11.88 – 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                       |

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.

## 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:

| <b>Category</b>                        | <b>Amortization period (years)</b> |
|--|------------------------------------|
| Land use rights                        | 20 – 70/Indefinite                 |
| Joint operation earning rights         | 10                                 |
| Software                               | 5 – 10                             |
| Passenger service licenses             | Indefinite                         |
| Station franchise operating rights     | 38                                 |
| Toll bridge franchise operating rights | 28                                 |
| Route license use rights               | 3 – 20                             |
| Trade mark rights                      | 10                                 |
| 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 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 28 years using straight-line method.

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

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

### 18 Long-term deferred expenses

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

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

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

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



## 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.

## 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.

## 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.

## 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.

## 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.



## 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 decognises 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.

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

### 27 Employee benefits *(continued)*

#### **(3) Post-employment benefits – defined benefit plans**

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

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

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

#### **(4) Termination benefits**

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

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

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

### 28 Profit distributions

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

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 29 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

### 30 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

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

### 31 Significant accounting estimates and judgments

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

Note II. 13, 14, 17, 18, 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 26 contain information about the accounting estimates relating to provisions for impairment of various types of assets. Other significant accounting estimate is as follows:

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

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## 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, Note 5)   | 16% or 13%,<br>10% or 9%             |
| VAT   | Transportation income (Note 1, Note 5, Note 6, Note 7)   | 10% or 9%, 3% or 1%,<br>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, Note 5) | 10% or 9%,<br>6%, 5%                 |
| VAT   | Income from construction contracts and toll income (Note 1, Note 7)                            | 10% or 9%, 3% or 1%                  |
| City maintenance and construction tax             | VAT paid (Note 5, Note 6)  | 7%, 5%                               |
| Education surcharge and local education surcharge | VAT paid (Note 5, Note 6)  | 3%, 2%                               |
| Cultural construction fee                         | Income from advertisements (Note 2)  | 3%                                   |
| Land appreciation tax                             | Appreciation amount on property sold and applicable tax rate                                   | 40%                                  |
| 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 on deepening VAT reform" (Announcement [2019] No.39) issued by MOF, National Tax Bureau and 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 "The Announcement of adjustment on some government funds Policy by MOF" (Cai shui [2019] No.46), the payable amount of cultural construction fee belonging to the central revenue shall be reduced by 50%; for the cultural construction fee belonging to the local income, the financial and party committee propaganda departments of all provinces (districts and cities) can reduce the payable amount within the range of 50% in combination with the local economic development level, the development of propaganda, ideological and cultural undertakings and other factors, from 1 July 2019 to 31 December 2024. According to "The Announcement of reduction on cultural construction fee Policy" (Yue cai shui [2019] No.8) issued by Department of Finance of Guangdong Province and National Tax Bureau of Guangdong Provincial, the payable amount of cultural construction fee belonging to the local income shall be reduced by 50%, from 1 July 2019 to 31 December 2024. According to "The Announcement of tax supporting Policy for film and other industries" (Announcement [2020] No.25) issued by MOF and National Tax Bureau, cultural construction fee is exempted from 1 January 2020 to 31 December 2020.



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## III. TAXATION *(continued)*

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

Note 3: Pursuant to Caishui [2019] No. 13, "The Announcement of implementation on inclusive tax relief policy of 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 between RMB1,000,000 and RMB3,000,000 (RMB3,000,000 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 2019 to 31 December 2021.

The Group's subsidiaries Guangdong Province Transportation Engineering Company Limited, Shenzhen Wenjindu Bus Station Co., Ltd., Foshan City Yueyun Hexing Transportation 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's Third Motor Transportation Co., Ltd., Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd., Yangjiang City Xinyi Advertising Co., Ltd., Yangjiang City Tongguwan Vehicles Comprehensive Performance Testing Co., Ltd., Guangdong Gangtong Vehicles Transportation Company Limited, 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., Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd., and Meizhou Vehicle Materials Supply Co., Ltd. meet the conditions of small-scaled minimal profit enterprise.

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 2019: 25%).

Note 4: The applicable Hong Kong profits tax rate for the period is 16.5% for the 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 2019: 16.5%).

Pursuant to the Financial Budget Proposal announced by Hong Kong government on 4 March 2020, enterprises registered in Hong Kong are entitled to a one-off preferential tax treatment of 100% exemption of profit tax in 2020 with the maximum of HK\$20,000.

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.

## III. TAXATION *(continued)*

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

Note 5: According to "The Announcement on deepening VAT reform" (Announcement [2019] No. 39) issued by MOF, National Tax Bureau and General Administration of Customs, taxpayers of production and living services are allowed to add 10% of the deductible input tax of the current period to offset the tax payable from 1 April 2019 to 31 December 2021. According to "The Announcement on further supporting self employment and employment of retired soldiers" (Caishui [2019] No.21) by MOF, National Tax Bureau and Department of Veterans, from 1 January 2019 to 31 December 2021, for enterprise which recruits retired soldiers for self employment and signs a labor contract with them for more than one year and pays social insurance premiums in accordance with the law, the value-added tax, city maintenance and construction tax, education surcharge, local education surcharge and enterprise income tax shall be deducted successively according to the actual number of recruits within three years from the month when the labor contract is signed and social insurance is paid.

Note 6: According to "The Announcement on tax revenue policies for supporting COVID-19 prevention and control" (Announcement [2020] No. 8) issued by MOF and National Tax Bureau, VAT is exempted for income obtained from providing public transportation services, living services and providing express delivery services for residents of essential living since 1 January 2020. According to "The Announcement on the implementation period of tax policies for supporting COVID-19 prevention and control" (Announcement [2020] No.28) issued by MOF and National Tax Bureau, the preferential tax policies stipulated in the Announcement [2020] No. 8 issued by MOF and National Tax Bureau shall be implemented until 31 December 2020.

According to "The Announcement on tax collection management policies for supporting COVID-19 prevention and control" (Announcement [2020] No. 4) issued by National tax Bureau, taxpayers applied to the preferential income of VAT exemption according to Announcement No.8 and shall be exempted from city maintenance and construction tax, education surcharge and local education surcharge since 10 February 2020.

Note 7: According to "The Announcement on VAT policies for supporting individual businesses to resume work and business" (Announcement [2020] No. 13) issued by MOF and National Tax Bureau, except for in Hubei Province, small-scale VAT taxpayers in other provinces, autonomous regions and centrally-administered municipalities may pay VAT at the reduced levy rate of 1% for taxable income subject to a levy rate of 3%; small-scale VAT taxpayers may also prepay VAT at the reduced pre-levy rate of 1% for the pre-payment VAT items subject to a pre-levy rate of 3%, from 1 March 2020 to 31 May 2020. According to "The Announcement on extending the implementation period of VAT reduction and exemption policy for VAT small-scale taxpayers" (Announcement [2020] No. 24) issued by MOF and National Tax Bureau, the preferential tax policies stipulated in the Announcement [2020] No. 13 issued by MOF and National Tax Bureau shall be extended to 31 December 2020.

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## IV. BUSINESS COMBINATIONS AND CONSOLIDATED INTERIM FINANCIAL REPORT

### 1 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 | Period end actual investment | Share holding percentage | Voting rights percentage |
|-----|--|----------------------------|---------------------|--------------------|-----------------------|----------------------|------------------------------|--------------------------|--------------------------|
|     |  |                            |                     |                    |                       | RMB                  | RMB                          | %                        | %                        |
| 1   | Guangdong Zhongyuetong Oil Trading Company Limited | Domestic and non-financial | Guangdong China     | Guangdong China    | Refined oil wholesale | 30,612,300.00        | 30,612,300.00                | 51                       | 51                       |

### 2 Former subsidiaries that ceased to be consolidated during the period

Guangdong Yueyun Second Transportation Co., Ltd. and Guangdong Province Guangshen High Speed Coach Co., Ltd., subsidiaries of the Group, were deregistered on 9 January 2020 and 20 April 2020 respectively. Their 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 2020.

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

As at 30 June 2020, 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 RMB0.9134; 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 RMB0.9046.

# 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

| Ageing  | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB |
|---|------------------------------|----------------------------------|
| Within 3 months (inclusive)                   | 353,602,170.15               | 318,208,984.86                   |
| Over 3 months and within 6 months (inclusive) | 62,089,335.91                | 29,945,983.46                    |
| Over 6 months and within 1 year (inclusive)   | 47,154,445.35                | 36,325,149.01                    |
| Over 1 year and within 2 years (inclusive)    | 13,982,995.05                | 11,208,215.40                    |
| Over 2 years and within 3 years (inclusive)   | 6,139,962.00                 | 5,881,650.41                     |
| Over 3 years                                  | <u>36,307,641.24</u>         | <u>37,912,950.75</u>             |
| Sub-total                                     | <b>519,276,549.70</b>        | 439,482,933.89                   |
| Less: Provisions for bad and doubtful debts   | <u>(61,904,895.01)</u>       | <u>(56,735,460.36)</u>           |
| Total   | <b><u>457,371,654.69</u></b> | <b><u>382,747,473.53</u></b>     |

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

| Ageing  | <b>As at<br/>30 June 2020<br/>RMB</b> | As at<br>31 December 2019<br>RMB |
|---|---------------------------------------|----------------------------------|
| Within 3 months (inclusive)                   | <b>104,675,640.67</b>                 | 127,254,275.82                   |
| Over 3 months and within 6 months (inclusive) | <b>6,255,743.39</b>                   | 1,005,480.87                     |
| Over 6 months and within 1 year (inclusive)   | <b>1,971,321.20</b>                   | 793,361.52                       |
| Over 1 year and within 2 years (inclusive)    | <b>596,862.25</b>                     | 404,481.77                       |
| Over 3 years                                  | <b>27,530,141.64</b>                  | 30,542,555.93                    |
| Sub-total                                     | <b>141,029,709.15</b>                 | 160,000,155.91                   |
| Less: Provisions for bad and doubtful debts   | <b>(27,967,002.29)</b>                | (30,261,492.09)                  |
| Total   | <b>113,062,706.86</b>                 | 129,738,663.82                   |

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, expressway service zones operation and constructions materials supply for the purpose of measuring ECLs.

| ECL   | As at 30 June 2020 |   | As at 31 December 2019 |   |                 |
|---|--------------------|---|------------------------|---|-----------------|
|   | Book value<br>RMB  | Provisions for bad<br>and doubtful debts<br>RMB | Book value<br>RMB      | Provisions for bad<br>and doubtful debts<br>RMB |                 |
| Road passenger transportation and auxiliary |                    |   |                        |   |                 |
| Within one year (inclusive)                 | 5%                 | 247,835,036.80                                  | (12,381,963.62)        | 201,163,808.12                                  | (9,978,077.64)  |
| Over 1 year and within 2 years (inclusive)  | 35%                | 9,675,882.82                                    | (3,386,558.99)         | 7,810,698.60                                    | (2,733,744.51)  |
| Over 2 years and within 3 years (inclusive) | 50%                | 5,303,020.07                                    | (2,651,510.04)         | 3,900,041.02                                    | (1,950,020.51)  |
| Over 3 years                                | 100%               | 9,332,103.58                                    | (9,332,103.58)         | 7,568,883.79                                    | (7,568,883.79)  |
| Sub-total                                   |                    | 272,146,043.27                                  | (27,752,136.23)        | 220,443,431.53                                  | (22,230,726.45) |
| Expressway service zones operation          |                    |   |                        |   |                 |
| Within one year (inclusive)                 | 5%                 | 102,108,209.35                                  | (5,105,410.47)         | 54,263,191.00                                   | (2,713,159.55)  |
| Over 1 year and within 2 years (inclusive)  | 10%                | 3,710,249.98                                    | (371,025.00)           | 2,993,035.03                                    | (299,303.50)    |
| Over 2 years and within 3 years (inclusive) | 30%                | 836,941.93                                      | (251,082.58)           | 1,981,609.39                                    | (594,482.82)    |
| Over 3 years                                | 50%                | 916,476.90                                      | (458,238.45)           | 1,272,591.91                                    | (636,295.96)    |
| Sub-total                                   |                    | 107,571,878.16                                  | (6,185,756.50)         | 60,510,427.33                                   | (4,243,241.83)  |
| Constructions materials supply              |                    |   |                        |   |                 |
| Within one year (inclusive)                 | 5%                 | 112,902,705.26                                  | (5,645,135.25)         | 129,053,118.21                                  | (6,452,655.90)  |
| Over 1 year and within 2 years (inclusive)  | 10%                | 596,862.25                                      | (59,686.23)            | 404,481.77                                      | (40,448.18)     |
| Over 2 years and within 3 years (inclusive) | 30%                | –   | –                      | –   | –               |
| Over 3 years                                | 50%                | 7,593,759.82                                    | (3,796,879.86)         | 10,606,174.11                                   | (5,303,087.06)  |
| Sub-total                                   |                    | 121,093,327.33                                  | (9,501,701.34)         | 140,063,774.09                                  | (11,796,191.14) |
| Credit risk losses                          |                    | 500,811,248.76                                  | (43,439,594.07)        | 421,017,632.95                                  | (38,270,159.42) |
| Individual assessment (Note)                |                    | 18,465,300.94                                   | (18,465,300.94)        | 18,465,300.94                                   | (18,465,300.94) |
| Total                                       |                    | 519,276,549.70                                  | (61,904,895.01)        | 439,482,933.89                                  | (56,735,460.36) |

# 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 2020 |                                       | As at 31 December 2019 |                                       |
|---|-----|--------------------|---------------------------------------|------------------------|---------------------------------------|
|   |     | Book value         | Provisions for bad and doubtful debts | Book value             | Provisions for bad and doubtful debts |
|   |     | RMB                | RMB                                   | RMB                    | RMB                                   |
| Credit risk:                                |     |                    |                                       |                        |                                       |
| Within one year (inclusive)                 | 5%  | 112,902,705.26     | (5,645,135.26)                        | 129,053,118.21         | (6,452,655.91)                        |
| Over 1 year and within 2 years (inclusive)  | 10% | 596,862.25         | (59,686.23)                           | 404,481.77             | (40,448.18)                           |
| Over 2 years and within 3 years (inclusive) | 30% | -                  | -                                     | -                      | -                                     |
| Over 3 years                                | 50% | 9,064,840.70       | (3,796,879.86)                        | 12,077,254.99          | (5,303,087.06)                        |
| Sub-total                                   |     | 122,564,408.21     | (9,501,701.35)                        | 141,534,854.97         | (11,796,191.15)                       |
| Individual assessment (Note)                |     | 18,465,300.94      | (18,465,300.94)                       | 18,465,300.94          | (18,465,300.94)                       |
| Total                                       |     | 141,029,709.15     | (27,967,002.29)                       | 160,000,155.91         | (30,261,492.09)                       |

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)*

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

Note: Reasons for accruing bad debt provision by item for the six months ended 30 June 2020 and the year ended 31 December 2019:

##### The Group and the Company

| Items  | Balance at<br>30 June 2020 and<br>31 December 2019<br>RMB | Nature and reasons<br>for unsettlement                                   |
|--|---|--|
| Shenzhen Hongbao Trading Co., Ltd.           | 14,264,922.29   | Significant financial difficulty of the debtor                           |
| Guangzhou Jun Fat Trading Co., Ltd.          | 2,914,775.00  | Deregistered status of the debtor  |
| Zuhai Yuexinyuan Trade Development Co., Ltd. | 1,285,603.65  | A breach of contract and delinquency in payments for goods of the debtor |
| Total  | <u>18,465,300.94</u>                                      |  |

#### (3) The analysis of the movements of credit loss for accounts receivable for the six months ended 30 June 2020 and the year ended 31 December 2019 is as follows:

##### The Group

|  | For the six<br>months ended<br>30 June 2020<br>RMB | 2019<br>RMB            |
|--|--|------------------------|
| Adjusted balance at the beginning of the period/year                                 | (56,735,460.36)                                    | (50,215,718.11)        |
| Addition during the period/year  | (4,010,212.33)                                     | (7,694,568.46)         |
| Written-off during the period/year   | 40,716.16  | 573,180.99             |
| (Increase)/decrease resulting from consolidation scope change during the period/year | (1,169,289.88)                                     | 606,524.45             |
| Foreign currency financial statement translation differences                         | (30,648.60)  | (4,879.23)             |
| Balance at the end of the period/year  | <u>(61,904,895.01)</u>                             | <u>(56,735,460.36)</u> |

# 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 2020 and the year ended 31 December 2019 is as follows: (continued)*

#### The Company

|   | For the six<br>months ended<br>30 June 2020<br>RMB | 2019<br>RMB            |
|---|--|------------------------|
| Balance at the beginning of the period/year | (30,261,492.09)                                    | (27,105,775.28)        |
| Reversal/(addition) during the period/year  | <u>2,294,489.80</u>                                | <u>(3,155,716.81)</u>  |
| Balance at the end of the period/year       | <u>(27,967,002.29)</u>                             | <u>(30,261,492.09)</u> |

### 2 Investments in other equity instruments

As at 30 June 2020 and 31 December 2019, 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<br>and structures<br>RMB | Building<br>improvements<br>RMB | Machinery<br>and<br>equipment<br>RMB | Electronic<br>equipment,<br>office<br>equipment<br>and others<br>RMB | Transportation<br>vehicles<br>RMB | Total<br>RMB       |
|---|---------|------------------------------------|---------------------------------|--------------------------------------|--|-----------------------------------|--------------------|
| <b>Cost</b>   |         |                                    |                                 |                                      |  |                                   |                    |
| Balance as at 31 December 2019  |         | 1,923,294,449.46                   | 272,313,260.55                  | 121,544,292.63                       | 364,702,799.70   | 4,227,094,088.36                  | 6,908,948,890.70   |
| Additions during the period   |         | 12,615,309.28                      | -                               | 4,650,570.52                         | 13,637,895.80  | 8,486,248.11                      | 39,390,023.71      |
| Transferred from construction in progress                             |         | 19,061,858.34                      | 3,502,628.81                    | 207,334.78                           | 1,507,076.01   | 335,025,962.76                    | 359,304,860.70     |
| Transferred from investment properties                                |         | 859,622.99                         | -                               | -                                    | -  | -                                 | 859,622.99         |
| Additions arising from business combinations not under common control | 1       | 15,039,566.30                      | -                               | 7,603,564.00                         | 1,666,549.85   | 426,287.08                        | 24,735,967.23      |
| Foreign currency financial statement translation differences          |         | 773,606.78                         | -                               | 22,599.55                            | 145,090.63   | 5,173,008.14                      | 6,114,305.10       |
| Disposals during the period   |         | (38,666,609.40)                    | (1,135,907.40)                  | (18,180.00)                          | (6,087,401.67)   | (281,007,349.24)                  | (326,915,447.71)   |
| Balance as at 30 June 2020  |         | 1,932,977,803.75                   | 274,679,981.96                  | 134,010,181.48                       | 375,572,010.32   | 4,295,198,245.21                  | 7,012,438,222.72   |
| <b>Less: Accumulated depreciation</b>                                 |         |                                    |                                 |                                      |  |                                   |                    |
| Balance as at 31 December 2019  |         | (439,897,307.43)                   | (119,685,374.52)                | (42,910,219.47)                      | (264,555,533.93)   | (2,152,373,214.48)                | (3,019,421,649.83) |
| Charges during the period   |         | (32,336,971.84)                    | (11,759,760.01)                 | (5,541,151.27)                       | (14,773,660.78)  | (263,618,191.61)                  | (328,029,735.51)   |
| Transferred from investment properties                                |         | (106,548.84)                       | -                               | -                                    | -  | -                                 | (106,548.84)       |
| Foreign currency financial statement translation differences          |         | (317,550.11)                       | -                               | (21,657.66)                          | (103,789.48)   | (3,855,253.37)                    | (4,298,250.62)     |
| Written off on disposal   |         | 221,750.58                         | 1,105,667.26                    | 13,383.91                            | 5,112,097.87   | 240,219,675.28                    | 246,672,574.90     |
| Balance as at 30 June 2020  |         | (472,436,627.64)                   | (130,339,467.27)                | (48,459,644.49)                      | (274,320,886.32)   | (2,179,626,984.18)                | (3,105,183,609.90) |
| <b>Less: Provision for impairment</b>                                 |         |                                    |                                 |                                      |  |                                   |                    |
| Balance as at 31 December 2019  |         | -                                  | -                               | -                                    | -  | (1,078,508.86)                    | (1,078,508.86)     |
| Charges during the period   |         | (5,089,336.44)                     | -                               | (785,713.86)                         | (23,228.28)  | -                                 | (5,898,278.58)     |
| Written off on disposal   |         | -                                  | -                               | -                                    | -  | 85,506.27                         | 85,506.27          |
| Balance as at 30 June 2020  |         | (5,089,336.44)                     | -                               | (785,713.86)                         | (23,228.28)  | (993,002.59)                      | (6,891,281.17)     |
| <b>Carrying amount</b>  |         |                                    |                                 |                                      |  |                                   |                    |
| As at 30 June 2020  |         | 1,455,451,839.67                   | 144,340,514.69                  | 84,764,823.13                        | 101,227,895.72   | 2,114,578,258.44                  | 3,900,363,331.65   |
| As at 31 December 2019  |         | 1,483,397,142.03                   | 152,627,886.03                  | 78,634,073.16                        | 100,147,265.77   | 2,073,642,365.02                  | 3,888,448,732.01   |



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 3 Fixed assets *(continued)*

As at 30 June 2020, fixed assets with carrying amount of RMB453,591,160.63 (31 December 2019: RMB403,898,449.23) were pledged for bank borrowings, among which, RMB334,540,792.10 were pledged for long-term loans (31 December 2019: RMB355,884,996.26) and RMB119,050,368.53 were pledged for short-term loans (31 December 2019: RMB48,013,452.97).

As at 30 June 2020, the buildings and structures in certain cities have not yet obtained the certificates of title. As at 30 June 2020, the carrying amount of such buildings was RMB330,477,283.62 (31 December 2019: RMB342,296,838.19).

#### The Company

|                                       | Transportation<br>vehicles<br>RMB | Electronic<br>equipment,<br>office equipment<br>and others<br>RMB | Buildings<br>and structures<br>RMB | Total<br>RMB           |
|---------------------------------------|-----------------------------------|---|------------------------------------|------------------------|
| <b>Cost</b>                           |                                   |   |                                    |                        |
| Balance as at 31 December 2019        | 7,414,152.30                      | 12,394,545.43   | 3,424,779.00                       | 23,233,476.73          |
| Additions during the period           | —                                 | 153,686.00  | —                                  | 153,686.00             |
| Balance as at 30 June 2020            | <u>7,414,152.30</u>               | <u>12,548,231.43</u>  | <u>3,424,779.00</u>                | <u>23,387,162.73</u>   |
| <b>Less: Accumulated depreciation</b> |                                   |   |                                    |                        |
| Balance as at 31 December 2019        | (6,619,934.58)                    | (8,134,363.81)  | (664,264.58)                       | (15,418,562.97)        |
| Charges during the period             |                                   |   |                                    |                        |
| Written off on disposal               | (75,524.04)                       | (495,026.39)  | (81,338.52)                        | (651,888.95)           |
| Balance as at 30 June 2020            | <u>(6,695,458.62)</u>             | <u>(8,629,390.20)</u>   | <u>(745,603.10)</u>                | <u>(16,070,451.92)</u> |
| <b>Carrying amount</b>                |                                   |   |                                    |                        |
| As at 30 June 2020                    | <u>718,693.68</u>                 | <u>3,918,841.23</u>   | <u>2,679,175.90</u>                | <u>7,316,710.81</u>    |
| As at 31 December 2019                | <u>794,217.72</u>                 | <u>4,260,181.62</u>   | <u>2,760,514.42</u>                | <u>7,814,913.76</u>    |

As at 30 June 2020, the Company had no restricted fixed assets and had no buildings without certificates of title (31 December 2019: Nil).

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 4 Intangible assets

#### The Group

|   | Land use<br>rights | Joint<br>operation<br>earning<br>rights | Software        | Passenger<br>service<br>licenses | Station and<br>toll bridge<br>franchise<br>operating<br>rights | Route<br>license<br>use rights | Trade mark<br>rights and<br>others | Total            |
|---|--------------------|---|-----------------|----------------------------------|--|--------------------------------|------------------------------------|------------------|
|   | RMB                | RMB                                     | RMB             | RMB                              | RMB  | RMB                            | RMB                                | RMB              |
| <b>Cost</b>   |                    |   |                 |                                  |  |                                |                                    |                  |
| Balance as at 31 December 2019                                  | 883,588,105.61     | 42,747,190.60                           | 73,062,405.13   | 39,255,193.64                    | 387,478,456.26   | 270,033,345.48                 | 4,435,058.72                       | 1,700,599,755.44 |
| Additions during the period                                     | 1.00               | -                                       | 2,443,638.84    | -                                | -  | 2,922,600.00                   | -                                  | 5,366,239.84     |
| Transferred to investment properties                            | (752,159.18)       | -                                       | -               | -                                | -  | -                              | -                                  | (752,159.18)     |
| Foreign currency financial statement<br>translation differences | 761,368.61         | -                                       | -               | 772,149.98                       | -  | -                              | -                                  | 1,533,518.59     |
| Balance as at 30 June 2020                                      | 883,597,316.04     | 42,747,190.60                           | 75,506,043.97   | 40,027,343.62                    | 387,478,456.26   | 272,955,945.48                 | 4,435,058.72                       | 1,706,747,354.69 |
| <b>Less: Accumulated amortisation</b>                           |                    |   |                 |                                  |  |                                |                                    |                  |
| Balance as at 31 December 2019                                  | (150,253,134.03)   | (17,558,010.77)                         | (38,852,878.24) | -                                | (266,933,210.47)   | (134,304,170.40)               | (1,543,440.45)                     | (609,444,844.36) |
| Charges during the period                                       | (9,501,944.91)     | (1,950,890.09)                          | (3,708,889.70)  | -                                | (9,063,990.18)   | (9,858,852.50)                 | (135,503.61)                       | (34,220,070.99)  |
| Transferred to investment properties                            | 179,085.55         | -                                       | -               | -                                | -  | -                              | -                                  | 179,085.55       |
| Foreign currency financial statement<br>translation differences | (293,962.70)       | -                                       | -               | -                                | -  | -                              | -                                  | (293,962.70)     |
| Balance as at 30 June 2020                                      | (159,869,956.09)   | (19,508,900.86)                         | (42,561,767.94) | -                                | (275,997,200.65)   | (144,163,022.90)               | (1,678,944.06)                     | (643,779,792.50) |
| <b>Carrying amount</b>  |                    |   |                 |                                  |  |                                |                                    |                  |
| As at 30 June 2020  | 723,727,359.95     | 23,238,289.74                           | 32,944,276.03   | 40,027,343.62                    | 111,481,255.61   | 128,792,922.58                 | 2,756,114.66                       | 1,062,967,562.19 |
| As at 31 December 2019  | 733,334,971.58     | 25,189,179.83                           | 34,209,526.89   | 39,255,193.64                    | 120,545,245.79   | 135,729,175.08                 | 2,891,618.27                       | 1,091,154,911.08 |

As at 30 June 2020, land use rights with carrying amount of RMB87,785,552.25 (31 December 2019: RMB88,503,568.31) were obtained through allocation.

# 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 2020, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right (toll bridge franchise operating rights) with carrying amount of RMB66,074,183.38 (31 December 2019: RMB74,529,760.30) 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 RMB279,363,150.44 (31 December 2019: RMB242,768,866.37) were pledged for bank loans, among which, RMB130,855,855.51 (31 December 2019: RMB152,570,542.04) were pledged for long-term loans, RMB148,507,294.93 (31 December 2019: RMB90,198,324.33) were pledged for short-term loans. As at 30 June 2020, land use rights with carrying amount of RMB931,902.00 (31 December 2019: RMB931,902.00) were pledged for long-term payables. As at 30 June 2020, there were no other restricted intangible assets of the Group.

As at 30 June 2020, the carrying amount of the land use rights located in certain cities without certificates of title was RMB10,867,221.22 (31 December 2019: RMB10,994,860.20).

#### The Company

|   | Software<br>RMB        | Toll bridge<br>franchise<br>operating<br>rights<br>RMB | Total<br>RMB            |
|---|------------------------|--|-------------------------|
| <b>Cost</b>                                     |                        |  |                         |
| Balance as at 31 December 2019 and 30 June 2020 | 47,983,088.83          | 334,103,442.14   | 382,086,530.97          |
| <b>Less: Accumulated amortisation</b>           |                        |  |                         |
| Balance as at 31 December 2019                  | (31,723,366.26)        | (259,573,681.84)                                       | (291,297,048.10)        |
| Charges during the period                       | (1,561,016.28)         | (8,455,576.92)   | (10,016,593.20)         |
| Balance as at 30 June 2020                      | <u>(33,284,382.54)</u> | <u>(268,029,258.76)</u>                                | <u>(301,313,641.30)</u> |
| <b>Carrying amount</b>                          |                        |  |                         |
| As at 30 June 2020                              | <u>14,698,706.29</u>   | <u>66,074,183.38</u>                                   | <u>80,772,889.67</u>    |
| As at 31 December 2019                          | <u>16,259,722.57</u>   | <u>74,529,760.30</u>                                   | <u>90,789,482.87</u>    |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 5 Short-term loans

|                                | Note   | The Group                       |                                     | The Company                     |                                     |
|--------------------------------|--------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
|                                |        | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB |
| Unsecured loans                |        | 204,636,794.64                  | 109,900,000.00                      | 95,000,000.00                   | 95,000,000.00                       |
| Including: Loans from banks    |        | 204,636,794.64                  | 109,900,000.00                      | 95,000,000.00                   | 95,000,000.00                       |
| Loans secured by mortgages     | Note 1 | 134,000,000.00                  | 74,000,000.00                       | –                               | –                                   |
| Guaranteed and mortgaged loans | Note 2 | 9,338,361.55                    | 19,174,050.00                       | –                               | –                                   |
| Loans secured by pledges       | Note 3 | 50,000,000.00                   | 18,000,000.00                       | –                               | –                                   |
| Total                          | Note 4 | <u>397,975,156.19</u>           | <u>221,074,050.00</u>               | <u>95,000,000.00</u>            | <u>95,000,000.00</u>                |

Note 1: For the details of assets pledged for secured loans as at 30 June 2020 and 31 December 2019, please refer to Note V. 3 and 4.

Note 2: As at 30 June 2020 and 31 December 2019, the loans borrowed by Qingyuan City Qingxin District Yueyun Public Transport Co., Ltd. with vehicles as collateral and Zhengzhou Anchi Bonding Co., Ltd., which is the third party, as joint liability guarantee.

Note 3: As at 30 June 2020, loans secured by pledges shown on the group consolidation balance sheet is short-term loan raised by its the subsidiary company Qingyuan City Qingxin District Yueyun Public Transport Co., Ltd., using RMB500,000.00 guarantees deposit as pledge. As at 31 December 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 4: As at 30 June 2020, the Group's short-term loans were borrowings from banks and other financial institutions within 1 year, which bear interest rates ranging from 2.05% to 4.35% per annum (31 December 2019: 3.92% to 4.35% per annum). The Group had no overdue short-term loans as at 30 June 2020 (31 December 2019: 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<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB |
| Ageing  |                                 |                                     |                                 |                                     |
| Within 3 months (inclusive)                   | 381,519,541.56                  | 605,456,947.56                      | 36,695,252.39                   | 40,424,488.58                       |
| Over 3 months and within 6 months (inclusive) | 66,575,643.13                   | 60,316,091.60                       | 995,749.99                      | 2,374,888.40                        |
| Over 6 months and within 1 year (inclusive)   | 179,633,468.85                  | 33,621,111.41                       | 6,009,284.40                    | 610,787.32                          |
| Over 1 year and within 2 years (inclusive)    | 64,228,545.42                   | 84,670,027.84                       | 607,305.09                      | 1,543,400.77                        |
| Over 2 years and within 3 years (inclusive)   | 27,253,583.01                   | 5,143,292.29                        | 1,514,428.85                    | 0.47                                |
| Over 3 years                                  | 14,646,514.55                   | 23,283,809.66                       | 2,135,057.30                    | 2,137,500.13                        |
| Total   | <u>733,857,296.52</u>           | <u>812,491,280.36</u>               | <u>47,957,078.02</u>            | <u>47,091,065.67</u>                |

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

|   | The Group                       |                                     | The Company                     |                                     |
|---|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
|   | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB |
| Items   |                                 |                                     |                                 |                                     |
| Materials payable                             | 87,054,013.19                   | 124,936,917.01                      | 36,498,855.05                   | 39,729,045.70                       |
| Transportation fee payable                    | 137,329,502.50                  | 138,390,269.64                      | -                               | -                                   |
| Contract payments for cars                    | 202,297,028.29                  | 232,314,668.13                      | -                               | -                                   |
| Progress payments for constructions           | 200,931,602.25                  | 226,731,189.62                      | 3,793,900.53                    | 2,789,804.19                        |
| Contract payments for expressway service zone | 23,204,035.69                   | 28,360,195.34                       | -                               | -                                   |
| Fuel expenses payable                         | 23,034,376.28                   | 16,180,306.84                       | -                               | -                                   |
| Service fees                                  | 13,604,281.53                   | 10,459,400.98                       | -                               | -                                   |
| Others  | 46,402,456.79                   | 35,118,332.80                       | 7,664,322.44                    | 4,572,215.78                        |
| Total   | <u>733,857,296.52</u>           | <u>812,491,280.36</u>               | <u>47,957,078.02</u>            | <u>47,091,065.67</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

|  | Note V | The Group                       |                                     | The Company                     |                                     |
|--|--------|---------------------------------|-------------------------------------|---------------------------------|-------------------------------------|
|  |        | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB | As at<br>30 June<br>2020<br>RMB | As at<br>31 December<br>2019<br>RMB |
| Long-term loans due within one year    | 8      | 454,339,576.85                  | 445,062,584.81                      | 12,892,250.00                   | 4,000,000.00                        |
| Long-term payables due within one year |        | 55,851,083.73                   | 22,046,427.60                       | –                               | –                                   |
| Lease liabilities due within one year  | 26(1)  | 243,926,043.90                  | 189,313,299.21                      | 200,692.76                      | 194,084.29                          |
| Bonds payable due within one year      | 9      | 339,663,209.74                  | 339,334,228.04                      | 339,663,209.74                  | 339,334,228.04                      |
| Total                                  |        | <u>1,093,779,914.22</u>         | <u>995,756,539.66</u>               | <u>352,756,152.50</u>           | <u>343,528,312.33</u>               |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 8 Long-term loans

|   |           | <b>The Group</b>                      |                                  |
|---|-----------|---------------------------------------|----------------------------------|
|   | Note      | <b>As at<br/>30 June 2020<br/>RMB</b> | As at<br>31 December 2019<br>RMB |
| Unsecured loans   |           | <b>808,903,128.28</b>                 | 834,946,877.79                   |
| Including: Loans from banks   |           | <b>189,053,128.28</b>                 | 154,046,877.79                   |
| Loans from Guangdong Provincial<br>Communication Group Finance Company<br>Limited ("GCG Finance") | VI. (c)   | <b>619,850,000.00</b>                 | 680,900,000.00                   |
| Loans secured by mortgages  | Note 1    | <b>241,160,966.27</b>                 | 208,720,094.59                   |
| Guaranteed loans  | Note 2    | <b>27,152,606.63</b>                  | 38,336,138.31                    |
| Guaranteed and mortgaged loans  | Note 3    | <b>130,470,065.74</b>                 | 223,058,840.85                   |
| Unsecured and mortgaged loans   | Note 4    | <b>119,854,295.17</b>                 | 116,589,153.48                   |
| Loans secured by pledges  | Note 5    | <b>138,812,000.00</b>                 | —                                |
| <b>Total</b>  | Note 6    | <b><u>1,466,353,062.09</u></b>        | <u>1,421,651,105.02</u>          |
| Less: Long-term loans due within one year   |           |                                       |                                  |
| Including: Unsecured loans  |           | <b>(308,486,943.32)</b>               | (338,904,733.32)                 |
| Loans secured by mortgages  |           | <b>(68,556,499.73)</b>                | (43,767,244.84)                  |
| Guaranteed loans  |           | <b>(17,496,513.36)</b>                | (22,121,038.36)                  |
| Guaranteed and mortgaged loans  |           | <b>(33,822,820.44)</b>                | (36,269,568.29)                  |
| Unsecured and mortgaged loans   |           | <b>(4,000,000.00)</b>                 | (4,000,000.00)                   |
| Loans secured by pledges  |           | <b>(21,976,800.00)</b>                | —                                |
| Sub-total   | Note V. 7 | <b><u>(454,339,576.85)</u></b>        | <u>(445,062,584.81)</u>          |
| Long-term loans due after 1 year  |           | <b><u>1,012,013,485.24</u></b>        | <u>976,588,520.21</u>            |
| Including: Due after 1 year but within 2 years  |           | <b>202,458,628.21</b>                 | 129,746,401.64                   |
| Due after 2 years but within 5 years  |           | <b>809,554,857.03</b>                 | 846,842,118.57                   |

## 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 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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., Guangdong Yueyun Langri Real Estate Development Co., Ltd, Chaozhou City Yueyun Motor Transportation Co., Ltd., Shaoguan Yueyun Vehicles Transportation Co., Ltd., Maoming city Dianbai District Yueyun 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 2020 and 31 December 2019, 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 2020, Loans secured by pledges held by the group are constituted by two parts. The first part is borrowing of Shanwei City Yueyun Public Transportation Co., Ltd. that is secured by 2019 Central financial energy saving and new energy buses operation government subsidies as pledge. The second component is pledge loan borrowed by Foshan City Yueyun Public Transportation Co., Ltd. that is using its RMB2,200,000.00 guarantee deposit as pledge.

Note 6: As at 30 June 2020, the Group's long-term loans were borrowings from banks and other financial institutions with interest rates ranging from 3.16% to 4.90% per annum (31 December 2019: 4.27% to 4.90% per annum). The Group did not have any expired but outstanding long-term loans as at 30 June 2020 (31 December 2019: Nil).

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 8 Long-term loans *(continued)*

|  | <b>The Company</b>                    |                                  |
|--|---------------------------------------|----------------------------------|
|  | <b>As at<br/>30 June 2020<br/>RMB</b> | As at<br>31 December 2019<br>RMB |
| Unsecured loans                                |                                       |                                  |
| Including: Loans from banks                    | <b>104,230,000.00</b>                 | 105,230,000.00                   |
| Loans from GCG Finance                         | <b>69,000,000.00</b>                  | 40,000,000.00                    |
| Total  | <b>173,230,000.00</b>                 | 145,230,000.00                   |
| Less: Long-term loans due within one year      |                                       |                                  |
| Including: Unsecured loans                     | <b>(12,892,250.00)</b>                | (4,000,000.00)                   |
| Sub-total (Note V. 7)                          | <b>(12,892,250.00)</b>                | (4,000,000.00)                   |
| Long-term loans due after 1 year               | <b>160,337,750.00</b>                 | 141,230,000.00                   |
| Including: Due after 1 year but within 2 years | <b>25,046,000.00</b>                  | 17,484,500.00                    |
| Due after 2 years but within 5 years           | <b>135,291,750.00</b>                 | 123,745,500.00                   |

# 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<br>RMB     | Issuing date<br>RMB | Period  | Issuing<br>amount     | Carrying                              | Amortisation<br>for the period<br>RMB | Due within<br>one year<br>RMB | Carrying                            |
|--|-----------------------|---------------------|---------|-----------------------|---------------------------------------|---------------------------------------|-------------------------------|-------------------------------------|
|  |                       |                     |         |                       | amount as at<br>1 January 2020<br>RMB |                                       |                               | amount as at<br>30 June 2020<br>RMB |
| 2014 corporate<br>bond (first phase)     | 400,000,000.00        | 28/09/2015          | 7 years | 400,000,000.00        | 398,161,553.41                        | 269,053.44                            | -                             | 398,430,606.85                      |
| 2014 corporate<br>bond (second<br>phase) | <u>340,000,000.00</u> | 17/12/2015          | 5 years | <u>340,000,000.00</u> | <u>339,334,228.04</u>                 | <u>328,981.70</u>                     | <u>(339,663,209.74)</u>       | <u>-</u>                            |
| Total                                    | <u>740,000,000.00</u> |                     |         | <u>740,000,000.00</u> | <u>737,495,781.45</u>                 | <u>598,035.14</u>                     | <u>(339,663,209.74)</u>       | <u>398,430,606.85</u>               |

On 28 September 2015, the Company entrusted Morgan Stanley Huaxin Securities Company Limited as the lead underwriter and issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB400.00 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. The Company will be entitled at its option to adjust its bond rate and the investors will be entitled to request the Company to redeem the bonds after five years of the issue date. On 17 December 2015, the Company issued the 2014 corporate bonds (second phase) to the public in an aggregated nominal amount of RMB380.00 million with a term of 5 years. The Company will be entitled at its option to adjust its bond rate and the investors will be entitled to request the Company to redeem the bonds after three years of the issue date. Relevant interest is calculated and paid annually at a coupon rate of 3.58% per annum for the first three years (from 17 December 2015 to 16 December 2018), after three years of the issue date the Company exercised the option to raise the coupon rate to 4.50% per annum. On 17 December 2018, the Company redeemed the bonds with the amount of RMB40 million.

In connection with the issuance of these bonds, GCGC provided an unconditional and irrecoverable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right. Please refer to Note V. 4.



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 10 Retained earnings

|  |        | <b>The Group</b>                        |                         |
|--|--------|---|-------------------------|
|  |        | <b>For the six months ended 30 June</b> |                         |
|  |        | <b>2020</b>                             | 2019                    |
|  |        | <b>RMB</b>                              | RMB                     |
|  |        |   | (Restated)              |
| Retained earnings at the beginning of the period   |        | <b>1,291,081,241.71</b>                 | 1,174,583,143.55        |
| Add: Net (loss)/profit attributable to the shareholders of the Company for the period                            |        | <b>(111,440,445.24)</b>                 | 206,146,288.09          |
| Less: Final dividends in respect of the previous financial year, approved and declared during the interim period | Note 1 | –                                       | (135,974,126.00)        |
| Business combinations involving enterprises under common control – other changes                                 |        | –                                       | (30,613,846.09)         |
| Retained earnings at the end of the period   | Note 2 | <b><u>1,179,640,796.47</u></b>          | <u>1,214,141,459.55</u> |

|  |        | <b>The Company</b>                      |                       |
|--|--------|---|-----------------------|
|  |        | <b>For the six months ended 30 June</b> |                       |
|  |        | <b>2020</b>                             | 2019                  |
|  |        | <b>RMB</b>                              | RMB                   |
| Retained earnings at the beginning of the period   |        | <b>225,327,967.19</b>                   | 253,322,919.63        |
| Add: Net (loss)/profit for the period  |        | <b>(8,782,577.30)</b>                   | 42,327,472.10         |
| Less: Final dividends in respect of the previous financial year, approved and declared during the interim period | Note 1 | –                                       | (135,974,126.00)      |
| Retained earnings at the end of the period   | Note 4 | <b><u>216,545,389.89</u></b>            | <u>159,676,265.73</u> |

Note 1: There was no dividend approved for distribution by shareholders for current period (corresponding period in 2019: RMB0.17 per share (tax included), amounting to RMB135,974,126.00 in total).

Note 2: As at 30 June 2020, the Group's retained earnings included appropriation to surplus reserve by subsidiaries amounting to RMB401,536,770.08 (31 December 2019: RMB389,514,799.05).

Note 3: The Board does not recommend distribution of an interim dividend for the period (corresponding period in 2019: Nil).

Note 4: As at 30 June 2020, the Company's distributable profits are RMB216,545,389.89 (31 December 2019: RMB225,327,967.19).

# 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 |               |
|  |        | 2020                             | 2019           | 2020                             | 2019          |
|  |        | RMB                              | RMB            | RMB                              | RMB           |
|  |        |                                  | (Restated)     |                                  |               |
| Interest expenses from loans and bonds         | Note 1 | 54,308,191.07                    | 45,004,151.61  | 21,268,439.56                    | 17,304,656.81 |
| Less: Borrowing costs capitalised              | Note 2 | 800,660.00                       | 3,211,791.14   | –                                | –             |
| Net interest expenses                          |        | 53,507,531.07                    | 41,792,360.47  | 21,268,439.56                    | 17,304,656.81 |
| Less: Interest income                          |        | 8,466,464.40                     | 9,437,020.15   | 6,077,357.60                     | 5,252,833.11  |
| Net exchange losses/(gains)                    |        | 772,316.80                       | (1,859,488.37) | –                                | –             |
| Amortisation of unrecognised financial charges |        | 7,147,932.26                     | 4,517,282.72   | –                                | –             |
| Interest expenses from lease liabilities       |        | 54,539,561.83                    | 50,878,716.17  | 59,275.35                        | 151,543.46    |
| Others   |        | 5,521,212.87                     | 3,711,689.21   | 1,149,780.34                     | 490,441.06    |
| Total  |        | 113,022,090.43                   | 89,603,540.05  | 16,400,137.65                    | 12,693,808.22 |

Note 1: Interest expenses related to bank loans of the Group for current period due within 5 years were RMB28,768,402.76 (corresponding period in 2019: RMB23,572,178.65 (Restated)). Interest expenses related to bonds were RMB16,648,035.14 (corresponding period in 2019: RMB15,812,921.97).

Interest expenses related to loans of the Company for current period due within 5 years were RMB4,620,404.42 (corresponding period in 2019: RMB1,491,734.84). Interest expenses related to bonds were RMB16,648,035.14 (corresponding period in 2019: RMB15,812,921.97).

Note 2: Capitalised interest expenses of the Group for current period were RMB800,660.00 (corresponding period in 2019: RMB3,211,791.14).

There was no capitalised interest expense of the Company for current period (corresponding period in 2019: Nil).

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 12 (Accrual)/reversal of credit losses

|                       | The Group                        |                           | The Company                      |                     |
|-----------------------|----------------------------------|---------------------------|----------------------------------|---------------------|
|                       | For the six months ended 30 June |                           | For the six months ended 30 June |                     |
|                       | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) | 2020<br>RMB                      | 2019<br>RMB         |
| Accounts receivable   | (4,010,212.33)                   | (3,183,184.20)            | 2,294,489.80                     | 4,319,315.69        |
| Other receivables     | (3,384,385.46)                   | (3,499,078.21)            | 186,883.54                       | 1,085,688.57        |
| Long-term receivables | —                                | (2,521.48)                | —                                | —                   |
| Total                 | <u>(7,394,597.79)</u>            | <u>(6,684,783.89)</u>     | <u>2,481,373.34</u>              | <u>5,405,004.26</u> |

### 13 Impairment losses

|                              | The Group                        |                           |
|------------------------------|----------------------------------|---------------------------|
|                              | For the six months ended 30 June |                           |
|                              | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) |
| Prepayments                  | 1,091.70                         | —                         |
| Inventories                  | —                                | 39,220.00                 |
| Long-term equity investments | —                                | (930,000.00)              |
| Fixed assets                 | (5,898,278.58)                   | (695,995.40)              |
| Total                        | <u>(5,897,186.88)</u>            | <u>(1,586,775.40)</u>     |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 14 Other income

#### The Group

|                                     | For the six months ended 30 June |                           |
|-------------------------------------|----------------------------------|---------------------------|
|                                     | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) |
| Government grants related to assets | 42,811,227.18                    | 37,076,246.72             |
| Government grants related to income | 169,244,647.19                   | 145,466,404.01            |
| VAT super-deduction                 | 33,378,280.07                    | —                         |
| Total                               | <u>245,434,154.44</u>            | <u>182,542,650.73</u>     |

### 15 Investment income

|  | The Group                        |                           | The Company                      |                      |
|--|----------------------------------|---------------------------|----------------------------------|----------------------|
|  | For the six months ended 30 June |                           | For the six months ended 30 June |                      |
|  | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) | 2020<br>RMB                      | 2019<br>RMB          |
| (Loss)/income from investments using equity method | (1,406,500.43)                   | 19,588,847.49             | 5,864,338.48                     | 5,859,953.42         |
| Others   | 1,410,422.64                     | (528,707.69)              | 23,089,828.42                    | 14,180,700.00        |
| Total  | <u>3,922.21</u>                  | <u>19,060,139.80</u>      | <u>28,954,166.90</u>             | <u>20,040,653.42</u> |

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

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 16 Gains from asset disposals

|  | The Group                        |                           |
|--|----------------------------------|---------------------------|
|  | For the six months ended 30 June |                           |
|  | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) |
| Gains on disposals of fixed assets             | 606,571.93                       | 2,233,068.79              |
| Gains on disposals of other non-current assets | –                                | 25,915,293.47             |
| Gains on disposals of right-of-use assets      | 14,641.53                        | 945,877.29                |
| Total  | <u>621,213.46</u>                | <u>29,094,239.55</u>      |

### 17 Non-operating income

|  | The Group                        |                           | The Company                      |                     |
|--|----------------------------------|---------------------------|----------------------------------|---------------------|
|  | For the six months ended 30 June |                           | For the six months ended 30 June |                     |
|  | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) | 2020<br>RMB                      | 2019<br>RMB         |
| Gains on disposals of non-current assets | 8,928,081.74                     | 1,416,497.14              | –                                | –                   |
| Government grants                        | 14,523,611.50                    | 1,600,966.08              | –                                | 1,000,000.00        |
| Others                                   | 5,305,239.36                     | 3,021,093.22              | –                                | 187,221.53          |
| Total                                    | <u>28,756,932.60</u>             | <u>6,038,556.44</u>       | <u>–</u>                         | <u>1,187,221.53</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 |                      |
|  | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) | 2020<br>RMB                      | 2019<br>RMB          |
| Current tax expenses for the period based on tax law and regulations | 52,655,717.99                    | 82,880,890.47             | –                                | 5,988,040.09         |
| Changes in deferred tax  | (46,187,487.21)                  | (4,754,742.56)            | (2,397,153.17)                   | 3,309,074.02         |
| Adjustment of tax filing differences                                 | (1,350,417.89)                   | 504,807.79                | 261,997.23                       | 1,794,167.67         |
| Total  | <u>5,117,812.89</u>              | <u>78,630,955.70</u>      | <u>(2,135,155.94)</u>            | <u>11,091,281.78</u> |

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

### 19 (Loss)/profit before income tax

(Loss)/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 |                   |
|   | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) | 2020<br>RMB                      | 2019<br>RMB       |
| Depreciation of fixed assets                | 328,029,735.51                   | 304,047,478.61            | 651,888.95                       | 766,086.23        |
| Depreciation of investment properties       | 1,555,335.62                     | 1,906,477.57              | –                                | –                 |
| Depreciation of right-of-use assets         | 103,809,912.49                   | 96,573,764.84             | 235,435.64                       | 4,194,271.80      |
| Amortisation of intangible assets           | 34,220,070.99                    | 32,956,131.68             | 10,016,593.20                    | 10,999,352.34     |
| Amortisation of long-term deferred expenses | 23,469,904.02                    | 12,580,873.99             | 78,228.38                        | 400,807.42        |
| Impairment losses                           | 5,897,186.88                     | 1,586,775.40              | –                                | –                 |
| Accrual/(reversal) of credit losses         | 7,394,597.79                     | 6,684,783.89              | (2,481,373.34)                   | (5,405,004.26)    |
| Other rental expenses                       | <u>37,329,292.33</u>             | <u>33,856,999.41</u>      | <u>4,365,075.00</u>              | <u>105,975.00</u> |

# 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 (loss)/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 |                       |
|--|----------------------------------|-----------------------|
|  | 2020                             | 2019                  |
|  | RMB                              | RMB                   |
|  |                                  | (Restated)            |
| Net (loss)/profit attributable to shareholders of the Company            | (111,440,445.24)                 | 206,146,288.09        |
| Weighted average number of ordinary shares<br>in issue during the period | <u>799,847,800.00</u>            | <u>799,847,800.00</u> |
| Basic earnings per share (RMB/share)                                     | <u>(0.14)</u>                    | <u>0.26</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 2020 and 2019.

# 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 (loss)/profit to cash flows from operating activities:

|   | <b>The Group</b>                        |                       |
|---|---|-----------------------|
|   | <b>For the six months ended 30 June</b> |                       |
|   | <b>2020</b>                             | 2019                  |
|   | <b>RMB</b>                              | RMB                   |
|   |   | (Restated)            |
| Net (loss)/profit   | <b>(182,471,269.61)</b>                 | 254,462,330.94        |
| Add: Losses for assets impairment and credit losses                             | <b>13,291,784.67</b>                    | 8,271,559.29          |
| Depreciation of fixed assets  | <b>328,029,735.51</b>                   | 304,047,478.61        |
| Depreciation of right-of-use assets   | <b>103,809,912.49</b>                   | 96,573,764.84         |
| Depreciation of investment properties   | <b>1,555,335.62</b>                     | 1,906,477.57          |
| Amortisation of intangible assets   | <b>34,220,070.99</b>                    | 32,956,131.68         |
| Amortisation of long-term deferred expenses                                     | <b>23,469,904.02</b>                    | 12,580,873.99         |
| Gains on disposal of fixed assets, intangible assets and other long-term assets | <b>(920,449.06)</b>                     | (27,893,862.68)       |
| Financial expenses  | <b>111,795,252.86</b>                   | 96,675,292.77         |
| Investment income   | <b>(3,922.21)</b>                       | (19,060,139.80)       |
| Increase in deferred tax assets   | <b>(38,605,525.45)</b>                  | (10,801,955.64)       |
| (Decrease)/increase in deferred tax liabilities                                 | <b>(7,581,961.76)</b>                   | 6,047,213.08          |
| Decrease in inventories   | <b>2,448,420.16</b>                     | 17,763,840.57         |
| Increase in operating receivables   | <b>(171,332,313.09)</b>                 | (164,323,694.88)      |
| Increase in operating payables  | <b>128,976,949.66</b>                   | 112,104,779.49        |
| Changes in special reserve  | <b>6,304,955.92</b>                     | 788,991.76            |
| Changes in restricted cash  | <b>820,557.31</b>                       | 11,665,631.11         |
| Decrease in long-term receivables   | <b>480,533.84</b>                       | 4,752,750.15          |
| Decrease in long-term payables  | <b>(2,072,182.28)</b>                   | (879,412.48)          |
| Net cash inflow from operating activities                                       | <b><u>352,215,789.59</u></b>            | <u>737,638,050.37</u> |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 21 Supplement to cash flow statement *(continued)*

#### (1) Reconciliation of net (loss)/profit to cash flows from operating activities: *(continued)*

|   | <b>The Company</b>                      |                 |
|---|---|-----------------|
|   | <b>For the six months ended 30 June</b> |                 |
|   | <b>2020</b>                             | 2019            |
|   | <b>RMB</b>                              | RMB             |
| Net (loss)/profit                                   | <b>(8,782,577.30)</b>                   | 42,327,472.10   |
| Add: Reversal of credit losses                      | <b>(2,481,373.34)</b>                   | (5,405,004.26)  |
| Depreciation of fixed assets                        | <b>651,888.95</b>                       | 766,086.23      |
| Depreciation of right-of-use assets                 | <b>235,435.64</b>                       | 4,194,271.80    |
| Amortisation of intangible assets                   | <b>10,016,593.20</b>                    | 10,999,352.34   |
| Amortisation of long-term deferred expenses         | <b>78,228.38</b>                        | 400,807.42      |
| Financial expenses                                  | <b>16,147,128.78</b>                    | 13,308,186.28   |
| Investment income                                   | <b>(28,954,166.90)</b>                  | (20,040,653.42) |
| (Increase)/decrease in deferred tax assets          | <b>(2,397,153.16)</b>                   | 3,309,074.02    |
| Decrease in inventories                             | <b>146,336.06</b>                       | 103,781.77      |
| Changes in special reserve                          | –                                       | 57,799.92       |
| Decrease in operating receivables                   | <b>29,731,900.37</b>                    | 42,342,975.13   |
| Decrease in operating payables                      | <b>(40,926,439.02)</b>                  | (3,073,255.41)  |
|   | <b>(26,534,198.34)</b>                  | 89,290,893.92   |
| Net cash (outflow)/inflow from operating activities | <b>(26,534,198.34)</b>                  | 89,290,893.92   |

#### (2) Change in cash and cash equivalents:

|   | <b>The Group</b>                        |                  |
|---|---|------------------|
|   | <b>For the six months ended 30 June</b> |                  |
|   | <b>2020</b>                             | 2019             |
|   | <b>RMB</b>                              | RMB              |
|   |   | (Restated)       |
| Cash and cash equivalents at the end of the period (Note)             | <b>1,164,678,375.98</b>                 | 1,238,376,891.96 |
| Less: Cash and cash equivalents at the beginning of the period (Note) | <b>1,163,480,565.54</b>                 | 1,137,624,205.21 |
| Net increase in cash and cash equivalents                             | <b>1,197,810.44</b>                     | 100,752,686.75   |

Note: As at 30 June 2020, the balance of cash included deposits for bank acceptance bills, deposits for bank loans, letter of guarantee and performance bonds, bidding deposits and housing repairment fund in an aggregate amount of RMB16,250,774.58 (31 December 2019: RMB17,071,331.89), which were deducted from the balance of cash and cash equivalents.

# 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: (continued)*

|  | <b>The Company</b>                      |                |
|--|---|----------------|
|  | <b>For the six months ended 30 June</b> |                |
|  | <b>2020</b>                             | 2019           |
|  | <b>RMB</b>                              | RMB            |
| Cash and cash equivalents at the end of the period             | <b>580,211,478.17</b>                   | 767,265,708.22 |
| Less: Cash and cash equivalents at the beginning of the period | <b>575,899,312.83</b>                   | 622,984,930.41 |
| Net increase in cash and cash equivalents                      | <b>4,312,165.34</b>                     | 144,280,777.81 |

#### *(3) Details of cash and cash equivalents*

|  | <b>The Group</b>        |                  |
|--|-------------------------|------------------|
|  | <b>As at</b>            | As at            |
|  | <b>30 June 2020</b>     | 30 June 2019     |
|  | <b>RMB</b>              | RMB              |
|  |                         | (Restated)       |
| (a) Cash at bank and on hand   |                         |                  |
| – Cash on hand   | <b>8,344,783.00</b>     | 13,931,546.07    |
| – Bank deposits available on demand  | <b>1,156,333,592.98</b> | 1,224,445,345.89 |
| – Restricted cash  | <b>16,250,774.58</b>    | 17,220,252.01    |
| (b) Cash and cash equivalents at the end of the period                     | <b>1,180,929,150.56</b> | 1,255,597,143.97 |
| Less: Restricted cash  | <b>16,250,774.58</b>    | 17,220,252.01    |
| (c) Cash and cash equivalents available on demand at the end of the period | <b>1,164,678,375.98</b> | 1,238,376,891.96 |



# 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 (continued)*

|   | <b>The Company</b>                    |                              |
|---|---------------------------------------|------------------------------|
|   | <b>As at<br/>30 June 2020<br/>RMB</b> | As at<br>30 June 2019<br>RMB |
| (a) Cash at bank and on hand  |                                       |                              |
| – Bank deposits available on demand   | <u>580,211,478.17</u>                 | <u>767,265,708.22</u>        |
| (b) Cash and cash equivalents at the end of the period                        | <u>580,211,478.17</u>                 | <u>767,265,708.22</u>        |
| (c) Cash and cash equivalents available on demand<br>at the end of the period | <u>580,211,478.17</u>                 | <u>767,265,708.22</u>        |

(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.

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 22 Government grants

#### The Group and the Company

|                                     | The Group                        |                       | The Company                      |                     |
|-------------------------------------|----------------------------------|-----------------------|----------------------------------|---------------------|
|                                     | For the six months ended 30 June |                       | For the six months ended 30 June |                     |
|                                     | 2020                             | 2019                  | 2020                             | 2019                |
|                                     | RMB                              | RMB                   | RMB                              | RMB                 |
|                                     |                                  | (Restated)            |                                  |                     |
| Government grants related to assets | 42,811,227.18                    | 37,076,246.72         | –                                | –                   |
| Government grants related to income | 194,640,318.58                   | 207,299,979.88        | –                                | 1,000,000.00        |
| Total                               | <u>237,451,545.76</u>            | <u>244,376,226.60</u> | <u>–</u>                         | <u>1,000,000.00</u> |

#### (1) Government grants related to assets

The government grants of the Group related to assets for the period are summarised as follows:

| Items  | Balance of deferred income at the beginning of the period<br>RMB | Additions during the period<br>RMB | Recognition as other income during the period<br>RMB | Balance of deferred income at the end of the period<br>RMB |
|--|--|------------------------------------|--|--|
| Subsidies for vehicles replacement               | 6,184,601.12   | 109,965.86                         | (1,267,395.71)                                       | 5,027,171.27   |
| Subsidies for fixed assets renovation            | 102,306,560.47   | 208,343.13                         | (4,228,577.15)                                       | 98,286,326.45  |
| Tax subsidies for vehicles purchase              | 12,863,579.51  | –                                  | (212,765.94)   | 12,650,813.57  |
| Subsidies for procurement of new energy vehicles | 154,591,106.01   | 28,529,792.29                      | (35,645,401.60)                                      | 147,475,496.70   |
| Software development subsidies                   | 300,000.00   | –                                  | –  | 300,000.00   |
| Other subsidies related to assets                | 14,498,062.03  | 766,873.25                         | (1,457,086.78)                                       | 13,807,848.50  |
| Total  | <u>290,743,909.14</u>  | <u>29,614,974.53</u>               | <u>(42,811,227.18)</u>                               | <u>277,547,656.49</u>                                      |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 22 Government grants *(continued)*

#### *The Group and the Company (continued)*

#### (2) Government grants related to income

Government grants of the Group and the Company that are related to income for the period are summarised as follows:

#### *Impact on income statement items*

- (a) Offsetting against operation costs

| Item           | The Group                        |                      |
|----------------|----------------------------------|----------------------|
|                | For the six months ended 30 June |                      |
|                | 2020                             | 2019                 |
|                | RMB                              | RMB                  |
|                |                                  | (Restated)           |
| Fuel subsidies | <u>10,872,059.89</u>             | <u>60,232,609.79</u> |

- (b) Recognising as other income

| Items  | The Group                        |                       |
|--|----------------------------------|-----------------------|
|  | For the six months ended 30 June |                       |
|  | 2020                             | 2019                  |
|  | RMB                              | RMB                   |
|  |                                  | (Restated)            |
| Subsidies for operation of bus lines           | 38,956,389.64                    | 43,651,800.00         |
| Subsidies for operation of new energy vehicles | 117,374,174.11                   | 89,855,000.00         |
| Subsidies of elderly concessionary travel card | 11,198,396.82                    | 10,836,329.31         |
| Other subsidies                                | <u>1,715,686.62</u>              | <u>1,123,274.70</u>   |
| Total  | <u>169,244,647.19</u>            | <u>145,466,404.01</u> |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 22 Government grants *(continued)*

*The Group and the Company (continued)*

#### (2) Government grants related to income *(continued)*

*Impact on income statement items (continued)*

(c) Recognising as non-operating income

| Items                            | The Group                        |                     | The Company                      |                     |
|----------------------------------|----------------------------------|---------------------|----------------------------------|---------------------|
|                                  | For the six months ended 30 June |                     | For the six months ended 30 June |                     |
|                                  | 2020                             | 2019                | 2020                             | 2019                |
|                                  | RMB                              | RMB                 | RMB                              | RMB                 |
|                                  |                                  | (Restated)          |                                  |                     |
| Subsidies for vehicles disposals | 399,000.00                       | 373,000.00          | –                                | –                   |
| Subsidies for COVID-19           | 6,409,508.00                     | –                   | –                                | –                   |
| Other subsidies                  | 7,715,103.50                     | 1,227,966.08        | –                                | 1,000,000.00        |
| Total                            | <u>14,523,611.50</u>             | <u>1,600,966.08</u> | <u>–</u>                         | <u>1,000,000.00</u> |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 23 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.

#### (1) Segment reporting

|   | Travel<br>services<br>RMB | Material<br>logistics<br>RMB | Other<br>business<br>RMB | Inter-segment<br>elimination<br>RMB | Total<br>RMB             |
|---|---------------------------|------------------------------|--------------------------|-------------------------------------|--------------------------|
| <b>For the six months ended<br/>30 June 2020</b>            |                           |                              |                          |                                     |                          |
| Operating income  |                           |                              |                          |                                     |                          |
| External income   | 2,456,119,798.98          | 141,904,703.20               | 3,822,578.29             | –                                   | 2,601,847,080.47         |
| Inter-segment income  | –                         | –                            | 3,378,514.54             | (3,378,514.54)                      | –                        |
| Total segment operating income                              | 2,456,119,798.98          | 141,904,703.20               | 7,201,092.83             | (3,378,514.54)                      | 2,601,847,080.47         |
| Total segment operating costs                               | 2,435,942,694.13          | 142,290,916.17               | 2,544,301.04             | (419,544.78)                        | 2,580,358,366.56         |
| Segment operating (loss)/profit                             | <u>(197,183,827.46)</u>   | <u>2,508,776.27</u>          | <u>1,285,382.36</u>      | <u>(465,020.07)</u>                 | <u>(193,854,688.90)</u>  |
| <b>For the six months ended 30 June 2019<br/>(Restated)</b> |                           |                              |                          |                                     |                          |
| Operating income  |                           |                              |                          |                                     |                          |
| External income   | 3,065,133,951.47          | 214,275,184.31               | 3,889,496.31             | –                                   | 3,283,298,632.09         |
| Inter-segment income  | –                         | –                            | 3,179,687.17             | (3,179,687.17)                      | –                        |
| Total segment operating income                              | 3,065,133,951.47          | 214,275,184.31               | 7,069,183.48             | (3,179,687.17)                      | 3,283,298,632.09         |
| Total segment operating costs                               | 2,462,453,426.23          | 208,854,044.93               | 2,343,774.68             | (1,228,513.80)                      | 2,672,422,732.04         |
| Segment operating profit                                    | <u>321,363,935.73</u>     | <u>13,049,381.11</u>         | <u>1,732,778.00</u>      | <u>(2,799,833.65)</u>               | <u>333,346,261.19</u>    |
| <b>As at 30 June 2020</b>                                   |                           |                              |                          |                                     |                          |
| Total segment assets  | <u>13,853,502,825.66</u>  | <u>18,530,264.95</u>         | <u>42,583,697.08</u>     | <u>(2,701,253,542.03)</u>           | <u>11,213,363,245.66</u> |
| Total segment liabilities                                   | <u>8,766,275,857.04</u>   | <u>15,475,827.80</u>         | <u>53,936,760.87</u>     | <u>(983,159,967.99)</u>             | <u>7,852,528,477.72</u>  |
| <b>As at 31 December 2019</b>                               |                           |                              |                          |                                     |                          |
| Total segment assets  | 13,772,842,800.45         | 31,714,925.62                | 41,043,830.23            | (2,750,596,074.84)                  | 11,095,005,481.46        |
| Total segment liabilities                                   | <u>8,606,187,725.59</u>   | <u>15,710,479.95</u>         | <u>53,579,520.59</u>     | <u>(1,067,394,034.57)</u>           | <u>7,608,083,691.56</u>  |



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 23 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 RMB24,262,713.59 in the current period (corresponding period in 2019: RMB165,401,859.40). As at 30 June 2020, the Group's non-current assets held by the Hong Kong operations amounted to RMB218,337,087.00 (31 December 2019: RMB231,164,588.91).

#### (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 2019.

### 24 Net current liabilities

|                           | The Group                    |                                  | The Company                  |                                  |
|---------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
|                           | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB |
| Current assets            | 2,684,203,496.42             | 2,512,546,911.13                 | 890,328,606.47               | 925,079,637.56                   |
| Less: Current liabilities | (3,545,574,546.75)           | (3,358,085,953.80)               | (1,092,360,760.58)           | (1,140,082,008.43)               |
| Net current liabilities   | <u>(861,371,050.33)</u>      | <u>(845,539,042.67)</u>          | <u>(202,032,154.11)</u>      | <u>(215,002,370.87)</u>          |

### 25 Total assets less current liabilities

|                                       | The Group                    |                                  | The Company                  |                                  |
|---------------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------|
|                                       | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB |
| Total assets                          | 11,213,363,245.66            | 11,095,005,481.46                | 3,001,771,640.79             | 3,038,845,995.62                 |
| Less: Current liabilities             | (3,545,574,546.75)           | (3,358,085,953.80)               | (1,092,360,760.58)           | (1,140,082,008.43)               |
| Total assets less current liabilities | <u>7,667,788,698.91</u>      | <u>7,736,919,527.66</u>          | <u>1,909,410,880.21</u>      | <u>1,898,763,987.19</u>          |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 26 Leases

#### (1) Lease as lessee

##### (a) Right-of-use assets

##### The Group

|                                 | Transportation          |                         |                        |                       | Total<br>RMB            |
|---------------------------------|-------------------------|-------------------------|------------------------|-----------------------|-------------------------|
|                                 | Buildings<br>RMB        | vehicles<br>RMB         | Lease of land<br>RMB   | Others<br>RMB         |                         |
| <b>Cost</b>                     |                         |                         |                        |                       |                         |
| Balance as at                   |                         |                         |                        |                       |                         |
| 31 December 2019                | 2,260,722,521.88        | 406,173,232.80          | 108,480,112.57         | 11,148,070.83         | 2,786,523,938.08        |
| Additions during the period     | 162,201,086.28          | 107,890.20              | 4,594,272.90           | 199,293.10            | 167,102,542.48          |
| Decrease during the period      | <u>(13,360,826.69)</u>  | <u>(404,067.34)</u>     | <u>(3,688,154.21)</u>  | <u>-</u>              | <u>(17,453,048.24)</u>  |
| Balance as at 30 June 2020      | <u>2,409,562,781.47</u> | <u>405,877,055.66</u>   | <u>109,386,231.26</u>  | <u>11,347,363.93</u>  | <u>2,936,173,432.32</u> |
| <b>Accumulated depreciation</b> |                         |                         |                        |                       |                         |
| Balance as at                   |                         |                         |                        |                       |                         |
| 31 December 2019                | <u>(692,281,955.51)</u> | <u>(132,463,396.66)</u> | <u>(35,734,157.60)</u> | <u>(8,265,789.42)</u> | <u>(868,745,299.19)</u> |
| Balance as at 30 June 2020      | <u>(748,128,656.68)</u> | <u>(162,303,608.91)</u> | <u>(35,806,929.06)</u> | <u>(9,834,209.64)</u> | <u>(956,073,404.29)</u> |
| <b>Carrying amount</b>          |                         |                         |                        |                       |                         |
| Balance as at 31 December 2019  | <u>1,568,440,566.37</u> | <u>273,709,836.14</u>   | <u>72,745,954.97</u>   | <u>2,882,281.41</u>   | <u>1,917,778,638.89</u> |
| Balance as at 30 June 2020      | <u>1,661,434,124.79</u> | <u>243,573,446.75</u>   | <u>73,579,302.20</u>   | <u>1,513,154.29</u>   | <u>1,980,100,028.03</u> |

As at 30 June 2020 and 31 December 2019, transportation vehicles with carrying amount of RMB242,663,837.05 and RMB272,390,927.87 were pledged for obligations under leases.

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 26 Leases (continued)

#### (1) Lease as lessee (continued)

##### (a) Right-of-use assets (continued)

#### The Company

|   | Lease of land<br>RMB |
|---|----------------------|
| <b>Cost</b>                                     |                      |
| Balance as at 31 December 2019 and 30 June 2020 | 10,676,101.04        |
| <b>Accumulated depreciation</b>                 |                      |
| Balance as at 31 December 2019                  | (7,134,217.53)       |
| Balance as at 30 June 2020                      | (7,369,653.17)       |
| <b>Carrying amount</b>                          |                      |
| Balance as at 31 December 2019                  | 3,541,883.51         |
| Balance as at 30 June 2020                      | 3,306,447.87         |

As at 30 June 2020, the Company had no right-of-use asset under pledged for obligations (31 December 2019: Nil).

##### (b) Lease liabilities

|  | The Group                    |                                  | The Company                  |                                  |
|--|------------------------------|----------------------------------|------------------------------|----------------------------------|
|  | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB |
| Long-term lease liabilities                    | 2,159,253,067.56             | 2,037,643,345.59                 | 2,000,054.25                 | 1,940,778.90                     |
| Less: Lease liabilities due within<br>one year | (243,926,043.90)             | (189,313,299.21)                 | (200,692.76)                 | (194,084.29)                     |
| Total  | <u>1,915,327,023.66</u>      | <u>1,848,330,046.38</u>          | <u>1,799,361.49</u>          | <u>1,746,694.61</u>              |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 26 Leases *(continued)*

#### (1) Lease as lessee *(continued)*

##### (b) Lease liabilities *(continued)*

|  | The Group                        |                | The Company                      |              |
|--|----------------------------------|----------------|----------------------------------|--------------|
|  | For the six months ended 30 June |                | For the six months ended 30 June |              |
|  | 2020                             | 2019           | 2020                             | 2019         |
|  | RMB                              | RMB            | RMB                              | RMB          |
|  |                                  | (Restated)     |                                  |              |
| Short-term lease expenses applied the practical expedient                    | 25,012,616.74                    | 25,442,241.88  | 4,423,030.00                     | 100,830.00   |
| Variable lease payments not included in the measurement of lease liabilities | 12,316,675.59                    | 8,414,757.53   | -                                | -            |
| Income from sub-leasing right-of-use assets                                  | 262,763,590.86                   | 260,133,423.61 | -                                | -            |
| Total cash outflow for leases  | 152,954,728.38                   | 172,406,731.52 | 4,423,030.00                     | 4,238,790.00 |

#### (2) As a lessor

##### (a) Operating lease

|   | The Group                        |                |
|---|----------------------------------|----------------|
|   | For the six months ended 30 June |                |
|   | 2020                             | 2019           |
|   | RMB                              | RMB            |
|   |                                  | (Restated)     |
| Lease income  | 318,504,300.00                   | 333,001,594.10 |
| Including: income related to variable lease payments not included in lease receipts | 11,551,277.26                    | 11,145,773.88  |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 26 Leases *(continued)*

#### (2) *As a lessor (continued)*

##### (a) *Operating lease (continued)*

The Group's undiscounted lease receipts to be received after the balance sheet date are as follows:

|   | <b>The Group</b>                      |                                  |
|---|---------------------------------------|----------------------------------|
|   | <b>As at<br/>30 June 2020<br/>RMB</b> | As at<br>31 December 2019<br>RMB |
| Within 1 year (inclusive)                   | <b>462,795,697.45</b>                 | 551,491,587.59                   |
| Over 1 year but within 2 years (inclusive)  | <b>468,736,560.84</b>                 | 497,479,674.73                   |
| Over 2 years but within 3 years (inclusive) | <b>393,405,408.91</b>                 | 418,073,459.07                   |
| Over 3 years but within 4 years (inclusive) | <b>326,484,225.24</b>                 | 347,793,692.49                   |
| Over 4 years but within 5 years (inclusive) | <b>153,126,211.99</b>                 | 290,919,317.40                   |
| Over 5 years                                | <b><u>1,974,092,973.06</u></b>        | <u>2,095,299,439.17</u>          |
| Total                                       | <b><u>3,778,641,077.49</u></b>        | <u>4,201,057,170.45</u>          |

As at 30 June 2020, the company had no operating lease (31 December 2019: Nil).



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

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

### 26 Leases *(continued)*

#### (2) *As a lessor (continued)*

##### (b) *Finance lease*

|  | <b>The Group</b>                        |            |
|--|---|------------|
|  | <b>For the six months ended 30 June</b> |            |
|  | <b>2020</b>                             | 2019       |
|  | <b>RMB</b>                              | RMB        |
| Finance income on the net investment in the lease  | <b>185,063.47</b>                       | 526,243.72 |
| Income relating to variable lease payments not included in the net investment in the lease | -                                       | -          |

The Group's undiscounted lease receipts to be received after the balance sheet date are as follows:

|  | <b>The Group</b>    |                  |
|--|---------------------|------------------|
|  | <b>As at</b>        | As at            |
|  | <b>30 June 2020</b> | 31 December 2019 |
|  | <b>RMB</b>          | RMB              |
| Within 1 year (inclusive)                  | <b>1,396,952.00</b> | 1,749,377.68     |
| Over 1 year but within 2 years (inclusive) | <b>92,146.00</b>    | 645,022.00       |
| Subtotal of undiscounted lease receipts    | <b>1,489,098.00</b> | 2,394,399.68     |
| Less: Unearned finance income              | <b>(131,252.13)</b> | (553,468.31)     |
| Net investment in the lease                | <b>1,357,845.87</b> | 1,840,931.37     |

As at 30 June 2020, the Company had no finance lease (31 December 2019: Nil).

## 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 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:

|   | <b>Related party relationships</b>   |
|---|--|
| GCGC <sup>#</sup>   | The ultimate holding company   |
| Guangdong Zhongyuetong Oil Trading Company Limited                      | As Associate of the Group before 9 January 2020, and as subsidiary of the Group since 9 January 2020         |
| Guangdong FLY-E   | As Joint venture of the Group before 26 December 2019, and as subsidiary of the Group since 26 December 2019 |
| Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd. | Associate of the Group   |
| Guangdong Yuehuahui Business Management Co., Ltd.                       | Associate of the Group   |
| Guandong Zhongyou Top-E Energy Trading Company Limited                  | Associate of the Group   |
| Shaoguan Yuehong Bus Station Co., Ltd.                                  | Associate of the Group   |
| Guangzhou yueyun Software Technology Co., Ltd.                          | Associate of the Group   |
| Guangdong Guangjiang Expressway Passenger Traffic Co., Ltd.             | Joint venture of the Group   |
| Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.         | Joint venture 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                   |
|---|---|
| Guangdong Guangye Yueyun Natural Gas Co., Ltd.                          | Joint venture of the Group                    |
| Shantou City Automobile Passenger Traffic Center Co., Ltd.              | Joint venture of the Group                    |
| Shaoguan Danxia Tourist Bus Co., Ltd.                                   | Joint venture of the Group                    |
| Shenzhen Yueyun Investment Development Company Limited                  | Joint venture of the Group                    |
| Guangdong South Passenger Network Center Company Limited                | Joint venture of the Group                    |
| Shaoguan Libao Technology Co., Ltd.                                     | Joint venture of the Group                    |
| Express Cross-Border Coach Management Company Limited                   | Joint venture of the Group                    |
| Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.        | Joint venture of the Group                    |
| Qingyuan Zhongguan Development Co., Ltd.                                | Joint venture of the Group                    |
| Shaoguan Xi'an Tourism Transportation Co., Ltd.                         | Joint venture of the Group                    |
| Guangzhou Tianhe Coach Terminal Co., Ltd.                               | Joint venture of the Group                    |
| Hui Ke Tong Technology (Zhuhai) Company Limited                         | Joint venture of the Group                    |
| Hui-Shen (Yantian) Expressway Huizhou Company Limited <sup>#</sup>      | Joint venture of the ultimate holding company |
| Zhaoqing Yuezhao Expressway Company Limited <sup>#</sup>                | Joint venture of the ultimate holding company |
| Guangdong Guangzhu Expressway West Section Company Limited <sup>#</sup> | Joint venture of the ultimate holding company |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

|  | Related party relationships                |
|--|--|
| Foshan Guang-San Expressway Company Limited <sup>#</sup>                               | Associate of the ultimate holding company  |
| Guangdong Feida Traffic Engineering Company Limited <sup>#</sup>                       | Associate of the ultimate holding company  |
| Guangdong Jingzhu Expressway Guangzhu North Section Company Limited <sup>#</sup>       | Associate of the ultimate holding company  |
| Foshan Guang-San Expressway Company Limited <sup>#</sup>                               | Associate of the ultimate holding company  |
| Jiangmen City Jiang-He Expressway Company Limited <sup>#</sup>                         | Associate of the ultimate holding company  |
| Shenzhen Huiyan Expressway Company Limited <sup>#</sup>                                | Associate of the ultimate holding company  |
| Guangdong Xin-Tai Expressway Co., Ltd. <sup>#</sup>                                    | Associate of the ultimate holding company  |
| Guangdong Zhan-Xu Expressway Company Limited <sup>#</sup>                              | Associate of the ultimate holding company  |
| Guangdong Expressway Development Co., Ltd. <sup>#</sup>                                | Associate of the ultimate holding company  |
| Poly Changda Engineering Company Limited <sup>#</sup>                                  | Associate of the ultimate holding company  |
| Guangdong Provincial Highway Construction Company Limited <sup>#</sup>                 | Controlled by the ultimate holding company |
| Guangdong Province Road & Bridge Construction Development Company Limited <sup>#</sup> | Controlled by the ultimate holding company |
| Guangdong Oriental Thought Technology Company Limited <sup>#</sup>                     | Controlled by the ultimate holding company |
| Guangdong Xinyue Communications Investment Company Limited <sup>#</sup>                | Controlled by the ultimate holding company |
| Guangzhou yueyun Investment Management Co., Ltd. <sup>#</sup>                          | Controlled by the ultimate holding company |
| Guangdong Bo-Da Expressway Company Limited <sup>#</sup>                                | 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 Guangle Expressway Company Limited#                    | Controlled by the ultimate holding company |
| Guangdong He-Hui Expressway Company Limited#                     | Controlled by the ultimate holding company |
| Guangdong Jiangzhong Expressway Company Limited#                 | Controlled by the ultimate holding company |
| Guangdong Kai Yang Expressway Company Limited#                   | Controlled by the ultimate holding company |
| Guangdong Litong Properties Investment Company Limited#          | Controlled by the ultimate holding company |
| Guangdong Maozhan Expressway Company Limited#                    | Controlled by the ultimate holding company |
| Guangdong Meihe Expressway Company Limited#                      | Controlled by the ultimate holding company |
| Guangdong Shanfen Expressway Company Limited#                    | Controlled by the ultimate holding company |
| Guangdong Provincial Freeway Company Limited#                    | Controlled by the ultimate holding company |
| Guangdong Taishan Coastal Expressway Company Limited#            | Controlled by the ultimate holding company |
| Guangdong Yang-Mao Expressway Company Limited#                   | Controlled by the ultimate holding company |
| Guangdong Yue Dong Freeway Industry Development Company Limited# | Controlled by the ultimate holding company |
| Guangdong Zhaoyang Expressway Company Limited#                   | Controlled by the ultimate holding company |
| Guangfo Expressway Company Limited#                              | Controlled by the ultimate holding company |
| Guang-Shen-Zhu Expressway Company Limited#                       | Controlled by the ultimate holding company |
| Guangzhou Newsoft Technology Company Limited#                    | Controlled by the ultimate holding company |
| Guangzhou Xin Yue Asphalt Company Limited#                       | Controlled by the ultimate holding company |



# 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                |
|---|--|
| Heyuan He-Long Expressway Company Limited <sup>#</sup>                                    | Controlled by the ultimate holding company |
| Jingzhu Expressway Guangzhu Section Company Limited <sup>#</sup>                          | Controlled by the ultimate holding company |
| Weisheng Transportation Enterprises Company Limited <sup>#</sup>                          | Controlled by the ultimate holding company |
| Yunfu City Guangyun Expressway Company Limited <sup>#</sup>                               | Controlled by the ultimate holding company |
| Guangdong Western Shen-Shan Expressway Company Limited <sup>#</sup>                       | Controlled by the ultimate holding company |
| Guangdong Province Gongbei Vehicles Transportation Company Limited <sup>#</sup>           | Controlled by the ultimate holding company |
| Kee Kwan Motor Road Company Limited <sup>#</sup>  | Controlled by the ultimate holding company |
| Guangdong Province Western Coastal Expressway Xinhui Section Company Limited <sup>#</sup> | Controlled by the ultimate holding company |
| Weisheng Freight Company Limited <sup>#</sup>   | Controlled by the ultimate holding company |
| Guangdong High Science and Technology Investment Company Limited <sup>#</sup>             | Controlled by the ultimate holding company |
| Guangdong Guanghui Expressway Company Limited <sup>#</sup>                                | Controlled by the ultimate holding company |
| Guangdong Luo-Yang Expressway Company Limited <sup>#</sup>                                | Controlled by the ultimate holding company |
| Guangdong Ping-Xing Expressway Company Limited <sup>#</sup>                               | Controlled by the ultimate holding company |
| Guangdong HuaLu Transport Technology Company Limited <sup>#</sup>                         | Controlled by the ultimate holding company |
| Guangdong Chao-Hui Expressway Company Limited <sup>#</sup>                                | Controlled by the ultimate holding company |
| Guangdong Communication Enterprise Investment Company Limited <sup>#</sup>                | Controlled by the ultimate holding company |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

|  | Related party relationships                |
|--|--|
| Guangdong Ninghua Expressway Company Limited#              | Controlled by the ultimate holding company |
| Dongguan Weisheng International Logistics Company Limited# | Controlled by the ultimate holding company |
| 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 |
| Guangdong Humen Bridge Company Limited#                    | Controlled by the ultimate holding company |
| Guangdong Union Electronic Service Company Limited#        | Controlled by the ultimate holding company |
| Guangdong Gaoen Expressway Co., Ltd.#                      | Controlled by the ultimate holding company |
| Guangdong Jiaying Ring Expressway Co., Ltd.#               | Controlled by the ultimate holding company |
| Guangdong Hui-qing Expressway Company Limited#             | Controlled by the ultimate holding company |
| Guangdong Meiping Expressway Co., Ltd.#                    | Controlled by the ultimate holding company |
| Shenzhen yueyun Property Management Co., Ltd.#             | Controlled by the ultimate holding company |
| Meizhou Vehicles Freight Company Limited#                  | Controlled by the ultimate holding company |
| Guangdong Jiaoke Testing Co., Ltd.#                        | Controlled by the ultimate holding company |
| Guangdong yuetongbao e-commerce Co., Ltd.#                 | Controlled by the ultimate holding company |
| Guangdong Yuejia Expressway Company Limited#               | Controlled by the ultimate holding company |

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

#### Related party relationships

Yangjiang yueyun langri Real Estate Development Co., Ltd.#      Controlled by the ultimate holding company

Guangdong South China Logistics Enterprise Company Limited#      Controlled by the ultimate holding company

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 |             |
|--|----------------------------------|-------------|
|  | 2020<br>RMB                      | 2019<br>RMB |
| <b>(1) Material logistics service income</b> |                                  |             |
| Poly Changda Engineering Company Limited     | <b>316,119.91</b>                | —           |

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 |               |
|---|----------------------------------|---------------|
|   | 2020<br>RMB                      | 2019<br>RMB   |
| <b>(2) Transportation services income</b>             |                                  |               |
| Express Cross-Border Coach Management Company Limited | <b>2,257,672.93</b>              | 15,424,178.60 |
| Guangdong FLY-E                                       | —                                | 7,471,546.35  |
| Others  | <b>2,977,686.84</b>              | 3,039,210.46  |
| Total   | <b>5,235,359.77</b>              | 25,934,935.41 |
| <b>(3) Repairing income</b>                           | <b>437,234.07</b>                | 283,075.92    |
| <b>(4) Rendering of other services income</b>         | <b>21,560,502.76</b>             | 2,037,859.42  |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

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

|   | For the six months ended 30 June |                           |
|---|----------------------------------|---------------------------|
|   | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) |
| <b>(5) Road rescue service income</b>                                     |                                  |                           |
| Guangdong Province Road & Bridge Construction Development Company Limited | 7,460,250.00                     | 6,321,099.06              |
| Guangdong Provincial Freeway Company Limited                              | 4,546,096.74                     | 4,841,851.42              |
| Guangdong Provincial Highway Construction Company Limited                 | 2,104,471.68                     | 1,667,858.49              |
| 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 Maozhan Expressway Company Limited                              | 1,247,405.70                     | 382,075.47                |
| Guangdong Guangfozhao Expressway Company Limited                          | 1,237,393.87                     | 1,237,393.87              |
| Guangdong Bo-Da Expressway Company Limited                                | 1,054,323.11                     | 1,054,323.11              |
| Guangdong Meihe Expressway Company Limited                                | 1,020,778.30                     | 1,020,778.30              |
| Others  | 8,449,995.48                     | 9,188,641.51              |
| Total   | <u>30,967,648.84</u>             | <u>29,560,955.19</u>      |
| <b>(6) Rental income</b>  |                                  |                           |
| Guangdong South China Logistics Enterprise Company Limited                | 1,111,972.27                     | 1,374,330.26              |
| Others  | 705,985.72                       | 1,137,793.24              |
| Total   | <u>1,817,957.99</u>              | <u>2,512,123.50</u>       |
| <b>(7) Sales of goods</b>   |                                  |                           |
| Others  | —                                | 219,091.93                |
| Total   | <u>—</u>                         | <u>219,091.93</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 |                       |
|--|----------------------------------|-----------------------|
|  | 2020<br>RMB                      | 2019<br>RMB           |
| <b>(8) Purchases of materials</b>                          |                                  |                       |
| Guangdong South China Logistics Enterprise Company Limited | 66,118,704.14                    | 104,822,544.31        |
| Guangdong Yuehuahui Business Management Co., Ltd.          | 6,778,398.28                     | 1,482,253.63          |
| Guangdong Guangye Yueyun Natural Gas Co., Ltd.             | 6,236,443.83                     | 20,486,047.32         |
| Shaoguan Libao Technology Co., Ltd.                        | 1,140,379.30                     | —                     |
| Others   | 271,884.67                       | 26,222.70             |
| Total  | <u>80,545,810.22</u>             | <u>126,817,067.96</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 |                      |
|---|----------------------------------|----------------------|
|   | 2020<br>RMB                      | 2019<br>RMB          |
| <b>(9) Expressway service zones operation expenses (Note)</b>             |                                  |                      |
| Guangdong Provincial Freeway Company Limited                              | 12,075,276.59                    | 12,849,214.96        |
| Guang-Shen-Zhu Expressway Company Limited                                 | 8,698,038.38                     | 10,244,293.53        |
| Guangdong Guangzhu Expressway West Section Company Limited                | 8,492,967.15                     | 10,988,782.92        |
| Guangdong Province Road & Bridge Construction Development Company Limited | 8,151,123.53                     | 11,242,756.21        |
| Guangdong Provincial Highway Construction Company Limited                 | 6,217,237.77                     | 6,157,301.57         |
| Guangdong Guangle Expressway Company Limited                              | 5,349,726.99                     | 5,412,035.93         |
| Guangdong Guangfozhao Expressway Company Limited                          | 3,895,223.88                     | 3,904,281.75         |
| Guangdong Chao-Hui Expressway Company Limited                             | 3,154,046.48                     | 3,184,714.57         |
| Guangdong Kai Yang Expressway Company Limited                             | 2,570,340.59                     | 3,129,984.21         |
| Guangdong Bo-Da Expressway Company Limited                                | 2,171,595.25                     | 2,600,021.59         |
| Guangdong Jiangzhong Expressway Company Limited                           | 1,674,292.21                     | 1,577,491.89         |
| Jingzhu Expressway Guangzhu Section Company Limited                       | 1,621,684.33                     | 1,316,831.20         |
| Guangdong Meihe Expressway Company Limited                                | 1,616,243.94                     | 1,821,715.66         |
| Guangdong Yang-Mao Expressway Company Limited                             | 1,568,623.79                     | 1,616,404.17         |
| Guangdong Expressway Development Co., Ltd.                                | 1,399,478.12                     | 1,414,624.82         |
| Guangdong Zhaoyang Expressway Company Limited                             | 1,202,642.70                     | 1,219,784.15         |
| Guangdong Maozhan Expressway Company Limited                              | 1,194,095.56                     | 1,577,960.50         |
| Guangdong Luo-Yang Expressway Company Limited#                            | 1,045,429.20                     | 1,056,640.56         |
| Guangdong Shanfen Expressway Company Limited                              | 974,153.69                       | 1,014,492.26         |
| Others  | 11,567,069.00                    | 10,821,926.64        |
| Total   | <b>84,639,289.15</b>             | <b>93,151,259.09</b> |

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: 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.

# 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 |                           |
|--|----------------------------------|---------------------------|
|  | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) |
| <b>(10) Rental expenses (Note)</b>                                 |                                  |                           |
| Guangdong Litong Properties Investment Company Limited             | 4,302,075.00                     | 5,359,684.37              |
| Guangdong Province Gongbei Vehicles Transportation Company Limited | –                                | 1,217,832.66              |
| Others   | 1,369,304.67                     | 1,453,914.81              |
| Total  | <u>5,671,379.67</u>              | <u>8,031,431.84</u>       |
| <b>(11) Receipt of services</b>                                    |                                  |                           |
| Guangdong Humen Bridge Company Limited                             | 2,400,000.00                     | 2,704,616.77              |
| Kee Kwan Motor Road Company Limited                                | –                                | 1,526,494.05              |
| Others   | 1,817,956.85                     | 664,958.23                |
| Total  | <u>4,217,956.85</u>              | <u>4,896,069.05</u>       |

The above transactions under categories (10) – (11) have been conducted in accordance with the terms of pricing prescribed in relevant service contracts.

Note: 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 interest rate | Opening                      | Additions            | Repayments            | Ending                     | Period                  |
|-----------------|----------------------|------------------------------|----------------------|-----------------------|----------------------------|-------------------------|
|                 |                      | Balance as at 1 January 2020 | during the period    | during the period     | balance as at 30 June 2020 |                         |
|                 |                      | RMB                          | RMB                  | RMB                   | RMB                        |                         |
| GCG Finance     | 3.80% ~ 4.6075%      | <u>680,900,000.00</u>        | <u>70,000,000.00</u> | <u>131,050,000.00</u> | <u>619,850,000.00</u>      | 22/02/2017 ~ 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 2020 and 2019, 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 2020 and 2019, 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(m) "Cash at bank and on hand" for more information.

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

#### *(e) Interest income and interest expenses*

|  | For the six months ended 30 June |                           |
|--|----------------------------------|---------------------------|
|  | 2020<br>RMB                      | 2019<br>RMB<br>(Restated) |
| Interest income                                  |                                  |                           |
| GCG Finance                                      | <u>4,698,281.77</u>              | <u>3,906,155.83</u>       |
| Interest expenses                                |                                  |                           |
| GCG Finance                                      | <u>14,399,633.87</u>             | 14,087,479.53             |
| Guangzhou yueyun Investment Management Co., Ltd. | <u>–</u>                         | 956,331.26                |
| Total  | <u>14,399,633.87</u>             | <u>15,043,810.79</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 |                     |
|--|----------------------------------|---------------------|
|  | 2020<br>RMB                      | 2019<br>RMB         |
| Transactions with Weisheng Transportation        |                                  |                     |
| Freight transportation outsourcing income        | <u>2,491,268.40</u>              | 2,942,996.95        |
| Freight transportation outsourcing disbursements | <u>1,845,819.97</u>              | 3,562,932.15        |
| Total  | <u>4,337,088.37</u>              | <u>6,505,929.10</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 |              |
|--|----------------------------------|--------------|
|  | 2020<br>RMB                      | 2019<br>RMB  |
| Transactions with Weisheng Transportation          |                                  |              |
| Passenger transportation outsourcing cost (Note)   | 1,178,329.78                     | 2,268,320.72 |
| Passenger transportation outsourcing disbursements | 803,988.31                       | 1,633,061.25 |
| Total  | 1,982,318.09                     | 3,901,381.97 |

Note: 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 |              |
|--|----------------------------------|--------------|
|  | 2020<br>RMB                      | 2019<br>RMB  |
| Management fee income                                  |                                  |              |
| Guangdong Litong Properties Investment Company Limited | —                                | 1,649,864.82 |
| Guangzhou yueyun Investment Management Co., Ltd.       | —                                | 1,169,552.86 |
| GCGC   | —                                | 187,128.46   |
| Total  | —                                | 3,006,546.14 |

#### *(i) Trademark*

During the current period and last year, GVTG granted some associates with the trademark use right of “Yueyun” 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) Acquire of right-of-use assets*

##### The Group

| Lessor  | Type of assets leased    | For the six months ended 30 June |                      |
|---|--------------------------|----------------------------------|----------------------|
|   |                          | 2020<br>RMB                      | 2019<br>RMB          |
| Guang-Shen-Zhu Expressway Company Limited           | Buildings and structures | 12,753,619.06                    | –                    |
| Qingyuan Zhongguan Development Co., Ltd.            | Buildings and structures | 915,785.41                       | –                    |
| Guangdong Gaoen Expressway Company Limited          | Buildings and structures | –                                | 37,221,169.90        |
| Guangdong Provincial Freeway Company Limited        | Buildings and structures | –                                | 7,056,157.13         |
| Yunfu City Guangyun Expressway Company Limited      | Buildings and structures | –                                | 4,391,062.73         |
| Jingzhu Expressway Guangzhu Section Company Limited | Buildings and structures | –                                | 2,464,252.67         |
| Guangdong Kai Yang Expressway Company Limited       | Buildings and structures | –                                | 276,999.10           |
| Total   |                          | <u>13,669,404.47</u>             | <u>51,409,641.53</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)*

#### *(m) Amounts due to/from related parties*

| Caption                  | Related parties   | As at                 | As at                 |
|--------------------------|---|-----------------------|-----------------------|
|                          |   | 30 June 2020          | 31 December 2019      |
|                          |   | RMB                   | RMB                   |
| Cash at bank and on hand | GCG Finance   | <u>546,859,541.03</u> | <u>486,625,676.94</u> |
| Accounts receivable      | Guangdong Jiaoke Testing Co., Ltd   | 19,250,929.49         | –                     |
|                          | Guangdong Humen Bridge Company Limited                                    | 8,690,958.89          | 7,480,983.94          |
|                          | Guangdong Province Road & Bridge Construction Development Company Limited | 6,651,327.35          | 4,627,944.06          |
|                          | Guangdong South Passenger Network Center Company Limited                  | 2,998,081.85          | 3,610,991.90          |
|                          | Guangdong Provincial Freeway Company Limited                              | 2,387,752.55          | 2,474,724.05          |
|                          | Guangdong Meihe Expressway Company Limited                                | 1,600,095.97          | 1,600,095.97          |
|                          | Express Cross-Border Coach Management Company Limited                     | 405,842.12            | 1,947,431.44          |
|                          | Others  | <u>9,561,591.29</u>   | <u>5,507,647.58</u>   |
|                          | Total   | <u>51,546,579.51</u>  | <u>27,249,818.94</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)*

*(m) Amounts due to/from related parties (continued)*

| Caption          | Related parties   | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB |                      |
|------------------|---|------------------------------|----------------------------------|----------------------|
| Accounts payable | Guangdong Guangzhu Expressway<br>West Section Company Limited                   | 5,732,139.04                 | 1,109,272.34                     |                      |
|                  | Guang-Shen-Zhu Expressway<br>Company Limited                                    | 4,170,457.95                 | 7,381,260.19                     |                      |
|                  | Guangdong Humen Bridge<br>Company Limited                                       | 3,058,910.36                 | 879,400.67                       |                      |
|                  | Guangdong Yuehuahui Business<br>Management Co., Ltd.                            | 2,776,252.07                 | 2,750,965.74                     |                      |
|                  | Guangdong Provincial Freeway<br>Company Limited                                 | 2,298,089.84                 | 3,507,724.73                     |                      |
|                  | Guangdong Kai Yang Expressway<br>Company Limited                                | 2,241,283.05                 | 3,198,399.53                     |                      |
|                  | Guangdong Guangye Yueyun<br>Natural Gas Company Limited                         | 1,584,579.79                 | 1,574,031.72                     |                      |
|                  | Poly Changda Engineering<br>Company Limited                                     | 1,582,623.15                 | 1,575,657.72                     |                      |
|                  | Guangdong Province Road &<br>Bridge Construction<br>Development Company Limited | 735,119.78                   | 2,301,741.02                     |                      |
|                  | Guangdong Union Electronic<br>Service Company Limited                           | 569,764.65                   | 1,181,975.91                     |                      |
|                  | Jingzhu Expressway Guangzhu<br>Section Company Limited                          | 518,467.61                   | 2,588,252.31                     |                      |
|                  | Guangfo Expressway Company<br>Limited   | 465,102.26                   | 1,715,729.34                     |                      |
|                  | Foshan Guangsan Expressway<br>Company Limited                                   | –                            | 1,408,292.06                     |                      |
|                  | Others  | 6,712,084.05                 | 7,524,247.87                     |                      |
|                  | Total   |                              | <u>32,444,873.60</u>             | <u>38,696,951.15</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)*

#### *(m) Amounts due to/from related parties (continued)*

| Caption                        | Related parties   | As at         | As at            |
|--------------------------------|---|---------------|------------------|
|                                |   | 30 June 2020  | 31 December 2019 |
|                                |   | RMB           | RMB              |
| Prepayments                    | Guangdong South China Logistics Enterprise Company Limited                | 10,302,712.31 | 30,446,848.00    |
|                                | Guangdong Union Electronic Service Company Limited                        | 4,822,511.45  | 8,480,362.08     |
|                                | Others  | 2,688,889.57  | 1,255,000.49     |
|                                | Total   | 17,814,113.33 | 40,182,210.57    |
| Advances from customers – rent | Others  | 923,030.91    | 507,374.89       |
| Contract liabilities           | Guangdong Provincial Highway Construction Company Limited                 | 2,224,935.16  | 2,288,084.77     |
|                                | Guangdong Province Road & Bridge Construction Development Company Limited | 1,268,038.83  | 2,380.24         |
|                                | Others  | 2,638,582.16  | 2,771,496.34     |
|                                | Total   | 6,131,556.15  | 5,061,961.35     |
| Other receivables              | Guangdong Chaoshan Circle Line Expressway Company Limited                 | 8,003,895.41  | 8,003,895.41     |
|                                | Weisheng Transportation Enterprises Company Limited                       | 7,022,553.55  | 9,206,871.39     |
|                                | Shantou City Automobile Passenger Traffic Center Company Limited          | 4,321,809.25  | 4,221,868.79     |
|                                | Guangdong Union Electronic Service Company Limited                        | 3,516,266.41  | 4,281,210.76     |
|                                |   |               |                  |



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

#### *(m) Amounts due to/from related parties (continued)*

| Caption | Related parties   | As at         | As at            |
|---------|---|---------------|------------------|
|         |   | 30 June 2020  | 31 December 2019 |
|         |   | RMB           | RMB              |
|         | Guang-Shen-Zhu Expressway Company Limited                                 | 3,375,600.00  | 3,375,600.00     |
|         | Shantou City Chaonan Yueyun Sky Island Transportation Company Limited     | 3,153,986.14  | 1,867,229.02     |
|         | Shaoguan Xi'an Tourism Transportation Co., Ltd                            | 2,627,326.84  | –                |
|         | Guangdong Provincial Freeway Company Limited                              | 1,869,863.03  | 1,869,863.03     |
|         | Guangdong Province Road & Bridge Construction Development Company Limited | 1,757,525.89  | 1,757,525.89     |
|         | Guangdong Guangzhu Expressway West Section Company Limited                | 1,688,300.00  | 1,688,300.00     |
|         | Guangdong Provincial Highway Construction Company Limited                 | 1,020,000.00  | 1,020,000.00     |
|         | Guangdong Maozhan Expressway Company Limited                              | 1,000,000.00  | 1,000,000.00     |
|         | Guangdong Guangye Yueyun Natural Gas Company Limited                      | 504,782.53    | 1,450,000.00     |
|         | Shantou City Chaoyang Yueyun Sky Island Transportation Company Limited    | –             | 1,081,223.65     |
|         | Others  | 7,105,727.18  | 6,570,470.03     |
|         | Total   | 46,967,636.23 | 47,394,057.97    |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

#### *(m) Amounts due to/from related parties (continued)*

| Caption                       | Related parties  | As at         | As at            |
|-------------------------------|--|---------------|------------------|
|                               |  | 30 June 2020  | 31 December 2019 |
|                               |  | RMB           | RMB              |
| Other payables                | Guangdong Province Gongbei Vehicles Transportation Company Limited | 21,916,886.82 | 20,921,823.38    |
|                               | Guangdong Litong Properties Investment Company Limited             | 3,379,539.20  | 506,087.00       |
|                               | GCGC   | 2,944,346.83  | 2,944,346.83     |
|                               | Guangdong Union Electronic Service Company Limited                 | 2,518,196.07  | 2,858,214.64     |
|                               | Kee Kwan Motor Road Company Limited                                | 2,434,231.73  | 17,878,803.63    |
|                               | Shaoguan Yuehong Bus Station Company Limited                       | 2,001,905.00  | 2,000,000.00     |
|                               | Shenzhen Yueyun Investment Development Company Limited             | 1,592,053.11  | –                |
|                               | Shaoguan Danxia Tourist Bus Co., Ltd.                              | 1,218,870.19  | 1,218,870.19     |
|                               | Hui Ke Tong Technology (Zhuhai) Company Limited                    | –             | 2,332,986.39     |
|                               | Guangdong Zhongyuetong Oil Trading Company Limited                 | –             | 1,038,000.00     |
|                               | Others   | 6,210,574.58  | 5,713,553.16     |
|                               | Sub-total  | 44,216,603.53 | 57,412,685.22    |
| Other payables<br>– Cash pool | Others   | 725,152.33    | 138,754.35       |
|                               | Other payables total   | 44,941,755.86 | 57,551,439.57    |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

*(m) Amounts due to/from related parties (continued)*

| Caption                  | Related parties   | As at<br>30 June 2020<br>RMB | As at<br>31 December 2019<br>RMB |
|--------------------------|---|------------------------------|----------------------------------|
| Other non-current assets | Guangzhou Tianhe Coach Terminal Co., Ltd.                                 | 9,600,000.00                 | 9,600,000.00                     |
|                          | Guangdong Oriental Thought Technology Company Limited                     | 66,037.74                    | —                                |
|                          | Total   | <u>9,666,037.74</u>          | <u>9,600,000.00</u>              |
| Interest payable         | GCG Finance   | <u>348,910.94</u>            | <u>720,311.31</u>                |
| Bills payable            | Guangdong South China Logistics Enterprise Company Limited                | <u>37,800,000.00</u>         | <u>55,300,000.00</u>             |
| Lease liabilities        | Guangdong Province Road & Bridge Construction Development Company Limited | 138,638,818.20               | 136,857,205.94                   |
|                          | Guangdong Provincial Freeway Company Limited                              | 134,672,456.89               | 132,342,248.84                   |
|                          | Guangdong Provincial Highway Construction Company Limited                 | 122,881,768.23               | 126,277,082.97                   |
|                          | Guangdong Guangle Expressway Company Limited                              | 94,044,765.99                | 99,897,928.33                    |
|                          | Guang-Shen-Zhu Expressway Company Limited                                 | 85,775,451.21                | 85,004,081.79                    |
|                          | Guangdong Chao-Hui Expressway Company Limited                             | 64,646,949.22                | 68,209,891.30                    |
|                          | Guangdong Guangzhu Expressway West Section Company Limited                | 60,772,329.95                | 68,324,797.04                    |
|                          | Guangdong Maozhan Expressway Company Limited                              | 43,674,947.49                | 44,649,632.03                    |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

#### *(m) Amounts due to/from related parties (continued)*

| Caption           | Related parties                                     | As at         | As at            |
|-------------------|---|---------------|------------------|
|                   |   | 30 June 2020  | 31 December 2019 |
|                   |   | RMB           | RMB              |
| Lease liabilities | Guangdong Guangfozhao Expressway Company Limited    | 41,731,328.49 | 44,002,238.52    |
|                   | Guangdong Bo-Da Expressway Company Limited          | 40,313,231.70 | 41,262,145.81    |
|                   | Guangdong Gaoen Expressway Company Limited          | 33,466,966.59 | 35,158,352.29    |
|                   | Guangdong Kai Yang Expressway Company Limited       | 32,558,111.37 | 37,749,250.72    |
|                   | Guangdong Meihe Expressway Company Limited          | 29,832,482.43 | 32,096,334.12    |
|                   | Guangdong Expressway Development Co., Ltd.          | 25,876,662.49 | 25,087,250.83    |
|                   | Guangdong Zhaoyang Expressway Company Limited       | 22,701,443.72 | 22,047,483.78    |
|                   | Jingzhu Expressway Guangzhu Section Company Limited | 22,526,852.05 | 17,336,045.62    |
|                   | Guangdong Luo-Yang Expressway Company Limited       | 22,037,713.15 | 23,156,315.87    |
|                   | Guangdong Ping-Xing Expressway Company Limited      | 20,862,594.35 | 20,382,445.35    |
|                   | Guangdong Yang-Mao Expressway Company Limited       | 20,534,082.34 | 23,203,130.77    |
|                   | Guangdong Ninghua Expressway Company Limited        | 14,677,439.55 | 14,332,854.88    |
|                   | Guangdong Jiangzhong Expressway Company Limited     | 12,323,932.75 | 14,391,933.56    |
|                   | Guangdong Shanfen Expressway Company Limited        | 12,305,621.24 | 12,031,088.01    |
|                   | Heyuan He-Long Expressway Company Limited           | 11,524,333.10 | 11,886,928.43    |
|                   | Zhaoqing Yuezhao Expressway Company Limited         | 9,406,363.43  | 9,143,981.99     |

# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

*(m) Amounts due to/from related parties (continued)*

| Caption   | Related parties   | As at<br>30 June 2020<br>RMB                 | As at<br>31 December 2019<br>RMB |
|---|---|--|----------------------------------|
| Lease liabilities   | Guangdong Yue Dong Freeway Industry Development Company Limited | 7,563,199.16                                 | 7,352,336.66                     |
|   | Guangdong Meiping Expressway Company Limited                    | 6,810,458.27                                 | 6,652,032.09                     |
|   | Yunfu City Guangyun Expressway Company Limited                  | 6,384,499.32                                 | 7,461,421.49                     |
|   | Guangdong Taishan Coastal Expressway Company Limited            | 3,242,435.49                                 | 3,158,447.40                     |
|   | Shenzhen Yueyun Investment Development Company Limited          | 1,017,473.25                                 | 1,414,594.86                     |
|   | Guangdong Humen Bridge Company Limited                          | 982,304.51                                   | 964,217.05                       |
|   | Guangdong He-Hui Expressway Company Limited                     | –  | 4,726.32                         |
|   | <b>Total</b>  | <b>1,143,787,015.93</b>                      | <b>1,171,838,424.66</b>          |
|   | Non-current liabilities due within one year                     | Guangdong Provincial Freeway Company Limited | 14,317,333.08                    |
| Guang-Shen-Zhu Expressway Company Limited                                 |   | 10,505,584.73                                | 9,578,750.75                     |
| Guangdong Province Road & Bridge Construction Development Company Limited |   | 8,472,456.26                                 | 6,997,523.33                     |
| Guangdong Guangzhu Expressway West Section Company Limited                |   | 5,415,321.45                                 | 5,032,535.86                     |
| Guangdong Provincial Highway Construction Company Limited                 |   | 4,434,374.51                                 | 4,314,123.64                     |
| Guangdong Kai Yang Expressway Company Limited                             |   | 3,802,594.87                                 | 4,449,536.22                     |



# Notes to the Interim Financial Report

(Expressed in Renminbi Yuan)

## VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(continued)*

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

#### *(m) Amounts due to/from related parties (continued)*

| Caption                                     | Related parties                                     | As at                | As at                |
|---|---|----------------------|----------------------|
|   |   | 30 June 2020         | 31 December 2019     |
|   |   | RMB                  | RMB                  |
| Non-current liabilities due within one year | Guangdong Guangle Expressway Company Limited        | 2,773,709.78         | 2,677,345.37         |
|   | Guangdong Maozhan Expressway Company Limited        | 2,259,123.34         | 2,194,028.68         |
|   | Guangdong Shanfen Expressway Company Limited        | 1,977,405.00         | 1,932,005.72         |
|   | Guangdong Yang-Mao Expressway Company Limited       | 1,949,630.73         | 1,889,640.78         |
|   | Guangdong Chao-Hui Expressway Company Limited       | 1,914,369.89         | 1,863,887.35         |
|   | Guangdong Jiangzhong Expressway Company Limited     | 1,730,815.07         | 1,688,503.68         |
|   | Guangdong Meihe Expressway Company Limited          | 1,672,206.11         | 1,620,137.43         |
|   | Jingzhu Expressway Guangzhu Section Company Limited | 1,452,145.49         | 1,025,530.29         |
|   | Guangdong Bo-Da Expressway Company Limited          | 1,363,163.13         | 1,324,653.89         |
|   | Weisheng Transportation Enterprises Company Limited | 1,219,488.17         | 2,688,976.35         |
|   | Guangdong Guangfozhao Expressway Company Limited    | 1,214,541.52         | 1,182,464.86         |
|   | GCG Finance   | 4,000,000.00         | 2,000,000.00         |
|   | Others  | 8,043,803.05         | 7,855,228.54         |
|   |   | <b>78,518,066.18</b> | <b>72,372,371.65</b> |

# 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)*

#### *(n) Compensation for key management personnel*

|   | For the six months ended 30 June |                     |
|---|----------------------------------|---------------------|
|   | 2020                             | 2019                |
|   | RMB                              | RMB                 |
| Compensation for key management personnel | <u>2,766,586.76</u>              | <u>3,034,008.80</u> |

## VII. COMMITMENTS

|  | As at<br>30 June 2020 | As at<br>31 December 2019 |
|--|-----------------------|---------------------------|
|  | RMB                   | RMB                       |
| Capital commitments that have been entered into but have not been recognised in the financial statements |                       |                           |
| – Commitment for acquisition and construction of long-term assets  | <u>148,919,894.67</u> | 124,258,287.62            |
| Capital commitments that have been approved but have not been entered into contracts                     | <u>149,788,000.00</u> | <u>262,906,500.00</u>     |
| Total  | <u>298,707,894.67</u> | <u>387,164,787.62</u>     |

## VIII. COMPARATIVE FIGURES

For a business combination involving entities under common control which occurred in November 2019, the transaction was completed and the Group acquired control over Chaozhou City Yueyun Vehicle Transportation Co., Ltd. and its subsidiaries (“Chaozhou Yueyun Group”) and Zhuhai Gongyun Coach Terminal Co., Ltd. and its subsidiaries (“Zhuhai Gongyun Group”), and the Group has made retrospective adjustments to comparative figures where required. The financial position as at 31 December 2019, and the financial performance and cash flows of Chaozhou Yueyun Group and Zhuhai Gongyun Group for the six months ended 30 June 2019 have been retrospective adjusted in accordance with the new financial instruments standards and the new leases standard.