

Interim Report 2021



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



* For identification purposes only

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

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

Company Profile

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

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

- ❖ Expressway Service Zones Operation
 - Energy Business
 - Retail Business
 - Merchant Solicitation Business
 - Advertising Business
- ❖ Road Passenger Transportation and Auxiliary services
- ❖ Taiping Interchange Operation

The strategic positioning employed by the Company’s “14th Five-Year” Development Plan for the Group: utilise its advantages in transportation resources and closely focus on the needs of people for prime travelling, further operate the transportation resources and build up a uniform operation platform of travel services across province, and endeavour to become an integrated transportation service group at international level.

Company Information

LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

STOCK CODE

03399

REGISTERED OFFICE

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Guangdong Province
People's Republic of China

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Non-Executive Directors

Chen Min
Chen Chuxuan

Independent Non-executive Directors

Jin Wenzhou
Lu Zhenghua
Wen Huiying
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COMPANY SECRETARY

Zhang Li

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Tang Yinghai

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Financial Highlights

	For the six months ended 30 June 2021 RMB'000	For the six months ended 30 June 2020 RMB'000	Change
Results highlights			
Operating income			
Expressway Service Zones Operation	1,820,236	1,410,175	29%
Road passenger transportation and auxiliary services	1,184,237	1,026,373	15%
Taiping Interchange operation	57,310	19,572	193%
Other business	30,684	145,727	(79%)
Total operating income	3,092,467	2,601,847	19%
Gross profit			
Expressway Service Zones Operation	210,662	20,178	5%
Road passenger transportation and auxiliary services	(134,855)	(266,298)	(49%)
Taiping Interchange operation	48,437	4,074	1090%
Other business	1,954	1,312	49%
Total gross profit	212,368	21,489	888%
Taxes and surcharges	(22,568)	(17,633)	28%
Selling and distribution expenses	(27,953)	(30,629)	(9%)
General and administrative expenses, and research and development expenses	(281,711)	(286,827)	(2%)
Finance expenses	(120,143)	(113,022)	6%
Other income	164,627	245,434	(33%)
Investment income	6,522	4	162950%
Accrual/(loss) of credit impairment	(5,441)	(7,395)	(26%)
Loss from asset impairment	-	(5,897)	(100%)
Gains from asset disposals	4,538	621	631%
Operating (losses)	(69,761)	(193,855)	N/A
Non-operating income/(expenses)	(1,642)	16,502	N/A
Total (losses)	(71,403)	(177,353)	N/A
Income tax expenses	(52,585)	(5,118)	927%
Net (losses)	(123,988)	(182,471)	N/A
Profit and loss attributable to minority interests	(63,224)	(71,031)	N/A
Net (losses) attributable to shareholders of the Company	(60,764)	(111,440)	N/A
Basic (losses) per Share (RMB)	(0.08)	(0.14)	N/A
Diluted (losses) per Share (RMB)	(0.08)	(0.14)	N/A

Financial Highlights

	30 June 2021	31 December 2020	Change
	RMB'000	RMB'000	
Results highlights			
Total assets	10,658,846	11,052,730	(4%)
Total net assets	2,989,205	3,150,113	(5%)
Equity attributable to shareholders of the Company	2,015,543	2,071,291	(3%)
Net assets per share attributable to owners of the Company (RMB)	<u>2.52</u>	<u>2.59</u>	<u>(3%)</u>
	For the six months ended 30 June 2021	For the six months ended 30 June 2020	Change
Gross profit margin	6.87%	0.83%	727%
Interest coverage ratio (times)	<u>(0.62)</u>	<u>(0.64)</u>	<u>(3%)</u>
	30 June 2021	31 December 2020	Change
Gearing ratio	71.96%	71.50%	1%
Current ratio (times)	<u>0.82</u>	<u>0.83</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

Since early 2021, along with the effective anti-epidemic measures and policy supports by the Chinese government, in particular, the positive COVID-19 vaccination efforts, the pandemic has been generally controlled. The national economy has continued to bound back steadily, which indicates the flexibility and resilience of China's economy. The need for home-return under pressure during the pandemic had been evidently released during the holidays in Ching Ming Festival and Labour day. The customer flows for visiting relatives and tourism had accelerated the recovery of the then transportation industry. Since the mid-and-end of May in this year, the imported epidemic cases have fluctuated the COVID-19 pandemic in regions including Guangdong Province. There have still been certain uncertainties in internal and external conditions. Nevertheless, with the effective anti-epidemic measures, no massive effect was caused by insignificant matters. The Chinese government has adhered to the general principle of seeking progress while working to keep performance stable, precisely implemented a proactive financial policies and stable currency policies. The Group consistently implemented regularized pandemic prevention and control measures to tightly uphold the solid base of "three protections" in order to maintain the economic development in a reasonable manner.

2021 was the first year of the "14th Five-Year" Plan. The integrated development among different modes of transportation will become one of the important segments for the "14th Five Years" Plan, which was a regional task acting as a pioneer and supporting function for coordination and development initiated by the State. Under this circumstance, the road transportation industry has also benefited from the strong combined efforts of comprehensive transportation system construction to achieve high-quality development through transformation and upgrade. With the core hub in the Guangdong-Hong Kong-Macau Greater Bay Area, Guangdong Province continued to promote integrated transportation service and intelligent development in recent years and to consistently enhance the overall efficiency of transport network and modernized level of transportation service. To be in line with the objective of expressway mileage of up to 15,000 kilometres in Guangdong Province by 2035, Guangdong Province will be adhered to the outline of the Layout Plan of Expressway Service Zones (2020-2035), to further optimize the planning layout of expressway service zones in the province, accelerate the remedy of service shortfall, build up specific service zones and high-quality service zones with demonstrative impacts, promote the construction of intelligent service zones, satisfy the higher demand for expressway service zones in public and speed up the construction of modernized transportation service system.

2021 was also the opening year of the Group's "14th Five-Year Strategic Development Plan". Faced with the huge growth room and the release of policy dividends brought by the national strategies of Building China's Strength in Transportation (交通強國), the Group will adjust the industry layout according to actual condition, reasonably deploy resources, clearly transform development approach, optimize ancillary mechanism and accelerate the business marketization and transformation upgrade; optimize staff structure, enhance team building, revitalise the idle assets of the Company, strengthen the interaction of assets and financing; do a good job on the COVID-19 prevention and explore the operating performance and firmly protect the high-quality development of the Company.

COVID-19 PREVENTION AND CONTROL

During the intermittent outbreak of the epidemic in Guangdong Province in May 2021, the relevant authorities of Guangdong Province and respective related cities have immediately optimized adjustments to prevention and control strategies, continuously enhance the anti-epidemic measures. Over 200 million people have carried out nucleic acid testing within one month. The single-day peak of nucleic acid testing was over 18 million, which effectively halted the growth of the epidemic. Guangdong Province has also gained valuable experience of combating imported mutated viruses.

The Board expected that the epidemic in Guangdong Province will be further suppressed in the view of the increase in uptake rate of the COVID-19 vaccine and positive implementation of the government's anti-epidemic measures. In the event of the ease of the epidemic in the second half of the year and the relaxation of travel restriction, people's travel needs in significant holidays, such as Mid-Autumn Festival and National Day, will be released, and therefore the travel service business of the Group will be recovered.

In the second half of 2021, the Group will focus on the following key business developments by utilizing loans and capital generated from operation:

I. Expressway Service Zones Operation

1. Energy Business

- (1) We are determined to establish our self-developed and self-operated oil stations and strived to complete the construction of 10 oil stations to achieve 60 self-develop and self-operated oil stations under operation. We are endeavoured to integrate our internal and external resources of the Group to expedite the expansion and strengthen the business rapidly. We strive to build up our terminal sales network by high-speed encrypted oil stations and downstream oil station projects.
- (2) We will deepen our precise management, enhance our intelligent service level. Integrated with the timing of significant holidays, we launch interactive marketing activities for oil and non-oil products in terms of seasonality and subjectivity, attract customers and enhance our brand awareness; strengthen the synergic cooperation with ETC and improve our membership system. We increase the activation rate of membership customers and optimize our structure between oil stations and customers by point redemption, development of large customers and bulk purchase.
- (3) We will strive to expand our upstream and downstream industry chains, and enhance our corporate competitiveness and risk prevention by leveraging favourable state-owned advantages, focusing on the potential expansion of industry chain in middle-and-small sized oil tanks layout for promoting the development of energy business segment.

Chairman's Statement

- (4) Under the objective of "Emission Peak and Carbon Neutrality" (碳中和、碳達峰) and to cope with the changing trend of energy structure, we will strive to upgrade the oil stations in expressways to hybrid stations with oil, gas, electricity and photovoltaic power. We search out the external charging potential of existing self-developed charging stations, explore and early set up the charging market in public utility sector in a timely manner.
- (5) We will strengthen the "Five-unification (五統一)" fuel procurement. We continue to widen the procurement channel, strengthen the procurement cost control, integrate with the energy supply service nature of service zones, consistently build up and optimize our own sales and service system and facilitate the maximization of corporate operating synergy.
- (6) We will further increase the depth and width of cooperation with large scale energy corporates, such as CNPC and Sinopec. We will carry out in-depth investment analysis in various operating models of energy business and conduct scientific reference for decision-making and continuously enhance our long-term rewards from operating rights.

2. **Retail Business**

- (1) We will further conduct research our right development approach and optimize to adapt the tender decision-making mechanism of retail business, continue to explore our network scale, gradually expand the number of our convenience stores and strive to achieve the target of 30 new stores and establish our O2O outlet network of "commodities + services + demand scenarios".
- (2) We will continue to promote the expansion of the "big retail" and develop our "Yipinhui" brand, gradually realize the parallel development of convenience stores and comprehensive supermarkets, as well as physical stores and online platform stores, expanding the "big retail" business chain from simple retailers to wholesalers.
- (3) We will continue to optimize the product categories, develop more self-owned brand products and optimize the store layout and product display layout. According to the development requirement of "One District, One product", we will fully integrate with regional cultures to establish native retail stores by fully exploring representative regional cultures in Guangdong Province, such as Hakkan, Chaozhou and Shantau, to make our convenience stores to become a new place for featured native products, provide a better and prime shopping environment for tourists and satisfy the public demand for high-quality and diversified travel service.
- (4) We will regulate the relationship management among merchants and optimize the public tendering model for new products to enhance profitability. We will upgrade our retail sales system to achieve a all-region and real-time system management. We will prepare our self-developed retail warehouse.

3. Merchant Solicitation Business

- (1) We will insist the "Integration" mode and gradually acquire resources in service zones. We will fully establish the enhancement and upgrade projects in service zones to promote digitalization in terms of management, operation and services, and take the lead to achieve high-quality development. We will deepen our platform operation, enhance our coordination layout of commercial resources and merchant planning, and enrich the new business condition.
- (2) We will promote the comprehensive development in core service zones by category management according to geographical locations, local cultural characteristics, spending habits of every expressway, to ensure our forward-looking and flexibility of dynamic adjustment. We will adopt the differentiated development strategy of "One Category, One strategy", to focus resources on development of rewarding and demonstrative service zones with a focal theme of developing logistics, tourist and commercial service zones.
- (3) We will establish a new model of and self-owned brand for commercial development. We will focus on the development and operation of 7 interchange points, including Liangjinshan, Xinyangjiang, Yangxi, Chengcun, Qianshui, Huacheng and Yuantan in Guangdong-Zhanjiang Line. We will continue to promote the integrated development of Taihe parking zone.

4. Advertising Business

- (1) We will continue to develop the advertising business, strengthen the ability construction and enhance the utilization efficiency of media resources. We will enhance the integration efforts in internal resources, integrate advertising with the development of internal resources in passengers and service zones to build up a interest-sharing mechanism.
- (2) We will enhance our service quality and improve our operational efficiency, strengthen our ability of customer development in terms of digitalized media resources, advertisement production, marketing promotion and performance assessment to better retain the existing customers and explore more new customers during the pandemic while enhancing mutual trust and procuring win-win situation.
- (3) We will strengthen our business cooperation with external media institutions. We will enrich the types of media by adopting resource exchange with external media institutions and provide more media resources selection to customers for exploring new path of direct sales. We will explore all-media advertising promotion solutions to help direct sales to acquire large brand customers.

Chairman's Statement

II. Road Passenger Transportation and Auxiliary Services

1. We will adapt to the industry development trend, proactively speed up the adjustment of business structure and increase our service standard. We will speed up the adjustment of traditional shuttle-line passenger transportation and develop public transportation, rural passenger business based on our strategic positioning and in an orderly manner to acquire stable income from government grant to hedge the risks in the industry. We will develop customized routes, online vehicle booking business to cope with the demands for convenient and comfortable travel. We will develop chartered products, such as commuters and shuttle buses, to realize our advantage of corporate safety management. We will develop passenger business along with tourism and share the bonus from tourism industry.
2. We will provide information supports for the transformation of passenger business with platform operation as the starting point. We will continue to implement the passenger business with “digitalized transformation and platform operation” and “one ticket, one network, one center, one platform” system to further expand the platform function of “Yuexing (悦行)”, accelerate the platform generation upgrade while enhancing the upgrade in terms of product, service and operation. By the Internet operation of “Yuexing (悦行)” platform, together with the offline operation support and management upgrade and leveraging the vehicle resources, we will facilitate the increase in revenue from passenger business. We will increase the intelligence level of service in passenger business and promote the business development of customized passenger and online vehicle booking. By developing intermodal transportation between regions, designated repair points by insurers, establishment of uniform membership system, we will facilitate the intermodal development amongst businesses.
3. We will treat the ability of safety production and risk prevention as our core competitiveness and life line of the passenger segment, combine with the development approach of “exploring the downstream market”, enhance rural passenger and safety management of urban and rural public transportation, enhance the implementation of defensive driving, especially the integration of rural counties and urban cities in “four slow-driving routes” with major protection for motorbikes, motorcycles and bicycles. We will strengthen the utilization and promotion of “four-in-one” intelligent supervision system, provide all-process management for driving safety while accelerating the optimization of supervision teams.
4. We will strengthen the comprehensive development of passenger transportation terminal, focus on promoting the improvement of passenger transportation terminal and speed up the property rental of passenger transportation terminal to increase rental revenue. For business volume and geographical locations of different terminals, under the background of ensuring normal operation of the terminal, various businesses, such as shopping malls, tourism distribution centers, hotels and catering will be transformed according to local conditions to revitalize resources of idle terminal.

5. We will promote logistics development to make its breakthrough. We will more proactively explore the logistics sub-market, promote the implementation of various logistics projects, including front logistics warehouse in terminals, retail delivery for convenience stores, point-to-point logistics in service zones, diversion stations in entrances and exits of expressways, agricultural products trading logistics and cold chain logistics business. We will strive to transform the passenger transportation terminals of rural passenger and county passenger into commercial service spots for retail while promoting cooperation with large scale logistics corporates and online shopping platform to enhance resource values.
6. We will continue to develop cross-border transportation business. GD-HK Company of the Group will continue to place a close concern on the pandemic trend and the cross-border policy, coordinate well on the prevention and control of the pandemic and business operation, optimize the organizational structure and manpower resources, constantly promote the work of cost control, better manage the preparation of resumption of work and production. The Company will do a good job on the development of Liantang Port market at the same time, while deeply promoting the cross-border resource integration, continuously optimizing the deployment and leveraging the utilization efficiency of resources. We will continue to strengthen our business cooperation network and collaborate with Yueyun Development to strive for the development and construction of ticketing system as soon as practicable.

Tang Yinghai

Executive Director and General Manager

Guangzhou, PRC

19 August 2021

Management Discussion and Analysis

BUSINESS REVIEW

Faced with the policy changes in the industry and the impact of the pandemic, the Group continued to do a good job in pandemic prevention and control, constantly improve the expressway service zone business and road transportation business, further optimize the industry structure of travel service, deeply operate the transportation resources, strive to reform the operating models, improve the governance institutions and enhance governance capability, proactively explore the favourable conditions and positive factors for “second reform and second entrepreneurship (二次改革、二次創業)” and endeavoured to minimize the losses and impacts from COVID-19 pandemic.

The Group has constantly explored the three major business values in service zones, facilitated the revenue growth and upgrade of service quality. We have fully launched the transformation and upgrade of the road passenger transportation business and achieved the integrated development of comprehensive road transportation. We further clarified the positioning and function of the listed company and enhance the interaction of assets and financing. We leveraged our financial advantages to better conduct our significant investment management and effectively strengthen our control on asset risks and post-assessment management. We further optimized our safety production management system of the Company, did a good job of management work on significant risk prevention and control and built up our safety production to become the core competitiveness of the Company.

TRAVEL SERVICE SEGMENT

1. Expressway Service Zones Operation

(1) Energy Business

The Group firmly implements the strategic route of self-established and self-operated gas stations, continuously optimizes our self-owned brand of “Yueyun Energy”, strengthens network construction, establishes membership system and procures the sales growth of oil products and non-oil commodities. As of the end of June 2021, the Group has 207 gas stations (including 15 stations of joint ventures and associates) with operating rights, representing an increase of 12 over the same period last year. Among them, there are 136 gas stations under contracted operation; there are 54 self-operated gas stations (two gas stations under construction). The revenue gas stations amounted to RMB1.382 billion, representing a year-on-year increase of 40%. The specific measures are as follows:

- ① Further expanding the network scale of “Yueyun Energy” and increasing the coverage of gas stations by putting into operation a total of 6 gas stations in Qishan, Pingtang and Zhenlong for the first half of the year and accelerating the approval and construction of newly-established or renovated oil stations in Shangsha, Shengtang, Shayong and Lufeng.
- ② Intensifying our marketing capability. Through measures, such as the labour campaign of “open marketing”, “marketing strategy of “One Station, One Policy”, supporting offset stations and point redemption, we achieved both increases in oil products and non-oil commodities.

Management Discussion and Analysis

- ③ Expanding customer development, formulating big customer development and incentive programme, adjusting member discounts to achieve the development of 29 big customers with accumulated e-membership of over 180,000 persons.
- ④ Promoting the reduction of operating costs and increasing efficiency. Through refined management, reduction of staffs in oil stations, optimization of assessment system and formulation of “One Station, One measure” to achieve the operating objectives of the increase in labour performance per employee and cost reduction as well as revenue growth.
- ⑤ Continuously doing better on the safety supervision and management of self-operated oil stations. We implemented the 3-level safety management system of self-operated oil stations, completed the safety standard assessment of 5 oil stations in Linhuashan. We maintained the implementation of self-check and self-inspection of issues in overall safety, and commenced the inspection of self-operated and contracted oil stations involving fuel gas and oil gas.

(2) Retail Business

The Group continued to strengthen the operating efficiency of retail business and enhance the market competitiveness. For the first half of the year, the Group achieved revenue in retail business of RMB226 million, which is basically the same as the same period last year. As of the end of June 2021, the Group has a total of 622 Loyee convenience stores (including 385 self-operated stores); 122 stores at YueYen passenger terminals; and 115 franchise stores. Specific measures are as follows:

- ① Continuing to expand the store network of Loyee convenience stores. We open 23 new stores for the first half of the year, achieving a total of 622 Loyee convenience stores.
- ② We optimized our commodity planning in stores and formulated category planning and commodity merchant planning proposal. We have introduced 1,171 new species with accumulated commodity barcodes of over 4,000. We achieved a revenue from new products sales of RMB6.7 million and facilitated a display revenue of RMB9.31 million.
- ③ We explored a business of group buying and wholesale and special channel supply by leveraging pricing advantages. We achieved a revenue from group buying and wholesale of RMB12.24 million.
- ④ Strengthening supply chain management. We adopted multiple-batch and small-lot supplies to accelerate the commodity turnover and reduce inventory. Measures such as intra-regional deployment of supply and sales were adopted to reduce the loss of under-consumption affected by the pandemic.

Management Discussion and Analysis

(3) Merchant Solicitation Business

The Group gave full play to the resource advantages of GCGC to further expand its service zone network and promote the development and upgrade of its service zone and achieve upgrade of commercial values. As of the end of June 2021, the Group has 358 service zones (including parking areas) with operating rights (including 103 service zones of Guangdong Nanyue Traffic Investment Construction Co., Ltd.(廣東省南粵交通投資建設有限公司)), representing an increase of 24 service zones when compared to the same period last year, and there are 352 service zones (including parking areas) in operation (including 2 service zones of joint ventures). The revenue from merchant solicitation business amounted to RMB162 million. Specific measures are as follows:

- ① Promoting quality improvement and upgrading of service zones and enhancing the experience of public travel service. We completed simultaneous operation of 6 pairs of service zones (parking areas) in Luoxin, Wuchuan Highway in Shanzhan Expressway and Dabu-Fengshun-Wuhua Expressway, and continuously strengthened the ability to keep unblocking; we continued to promote the expansion, construction and upgrade and renovation of 7 pairs of service zones including Kaiyang, Yangmao and Guangle; we formulated a rental planning and implementation proposals for upgrade and renovation projects in 6 pairs of service zones of Guangdong-Zhanjiang Line and Liangjinshan; we completed the commercially conceptual design of renovating service zone in Huacheng and Yuantan.
- ② We explored innovative projects and expanded our platform values. We promoted the operation of innovative project layouts of shared massage chairs, power banks, pilot self-service vending machines, commercial information media and “Yipinhui” featured native products. The accumulated revenue sharing for the first half of the year amounted to over RMB3.5 million.
- ③ We actively addressed the impacts of the merchant solicitation business from the pandemic. We allowed the qualified merchants to apply for the adjustment of operation expenses from quarter payment to monthly payment in order to address the liquidity difficulty of merchants; under the premise of protecting basic services, we allowed the temporary suspension of certain merchants under operating difficulty, relaxed the business scope of supporting merchants and relieved their operating pressure; we postponed the rental works other than works for new operation and upgrade and renovation, introduced temporary merchant projects to protect merchant interests.

Management Discussion and Analysis

(4) Advertising Business

The Group enhanced the marketing and synergistic integration capabilities of its advertising business. As of the end of June 2021, the Group operated 587 advertising resources, including cross-line bridges, gantries, billboards on the roof of toll stations, billboards at toll squares, billboards on the roof of service zones. We completed construction of 7 advertising resources, which are 2 column resources in Guangshen Hou Street and 5 column resources in Guangzhuxi. The advertising business achieved an operating revenue of RMB49.80 million for the first half of the year. Specific measures are as follows:

- ① We maintained customer relationship and optimized marketing strategies. Under the continuous impacts from the pandemic for the first half of the year, to prevent from the loss of business volume, we continued to strengthen the retention of relationship with old customers. Under the original cooperation basis, we proactively recommended the development of new cooperation projects, did better in contract renewal in advance, enhanced after-sales services, ensured the prevention of significant decline in sales, while fully exploring new customer resources and adopting active marketing strategies, as well as implementing the strategy of wholesales of bundle sales of resources along roads and reducing the idle rate of resources.
- ② Fully exploring new business. Under the basis of existing traditional business, we continued to promote cooperation and construction of new advertising media. The accumulated electric screens constructed in toll squares for the first half of the year amounted to 116 while there were 11 electric screens in service zones, which satisfied the need for multiple-level and multiple-dimension promotion in the market. We also sought for exploration of more types of advertising media together with favourable conditions in expressway service zones.
- ③ We did a good job in enhancing service quality and strengthened the communication with customers; we maintained the communication with customers, immediately understood the opinions and needs of customers, prudently addressed the feedback from customers, continuously improved the shortfall in renovation works. By enhancing service quality, we intensified the loyalty and cohesion of customers to the Company. As of the end of June 2021, the Company has 120 customers, representing a year-on-year increase of 5%. We successfully renewed 7 advertising contracts with old customers, including Tiande No.1, Ocean Spring, Keshun Waterproof, Yingde Babaixiucai and Xiangtan Puzi, with contracted amount of RMB11.997 million. At the same time, we have established a long-term strategic cooperation model with large scale customers and signed contract with Xiangshun Group Company.

Management Discussion and Analysis

II. Road Passenger Transportation and Auxiliary Services

- (1) We actively sought for market transformation and upgrade of businesses and addressed the policy change in the industry and the impact of the pandemic. As passengers have increasingly high requirements for convenient bus, and are becoming more accustomed to taking bus outside terminal, we have broken the traditional business model of “picking up passengers at terminal (等客上門)” in line with the needs of passengers for getting on and off the bus nearby, to be market-oriented and customer-centric and expand our non-terminal business with new transportation services that are individualized, customized and high-quality, so as to meet the new travel needs of passengers. We made in-depth market segmentation to enhance our operational service capabilities, and proactively contacted with government authorities, corporates and schools for chartered passenger business to continuously meet customers’ travel needs in different scenarios and enhance customer value. We pushed forward the setting and filing of off-terminal passenger pick-up points, while promoting online car-hailing service, customized passenger transportation, commuter vehicles and student dedicated lines services. For the first half of 2021, we achieved operating revenue from non-terminal passenger-pickup business of RMB120 million, representing an increase of 13 percentage points as compared to the same period last year.
- (2) Optimizing personnel allocation and adapting to changes in terminal business volume to facilitate our transformation. With the normalization of the pandemic and the implementation of new passenger regulations, the terminal passenger-pickup function rapidly weakened, driving the development of “multiple pickup points for one terminal (一站多點)” model. Through adjustment to, streamlining and diversion of, personnel structure at terminals, we reduced our cost and burden and improved our efficiencies.
- (3) Continuing to optimize the structure of vehicle models and conduct reasonable deployment according to the future feature of “small-lot and multiple-batch” road passenger transportation and business needs. As of the end of June 2021, large vehicles with more than 9m accounted for 44% of the road passenger transportation (excluding public transportation and rental), representing a year-on-year decrease of 13 percentage points. We subsequently continued to strictly supervise the vehicle models and conduct reasonable deployment according to business needs.
- (4) Strengthening the construction of “Yuexing (悅行)” platform, implementing the strategy of “digitalized transformation and platform operation” and facilitating the integration development of online and offline businesses. The intercity and customized carpooling businesses in “Yuexing (悅行)” platform were launched in Yangjiang, Chaozhou, Zhongshan, Zhaoqing (Zhaoqing city district, Sihui, Huaiji), Meizhou, Chaoyang. The total lines opened were 439 serving 91,900 persons, representing a year-on-year increase of 132%. The operating revenue amounted to RMB4.7272 million, representing a year-on-year increase of 178%.

Management Discussion and Analysis

- (5) Optimizing the upgrade mechanism of passenger transportation service quality and formulating a refined management concept to continue the good operation in Yueyun customer service centre. We collected customers' inquiries and feedbacks by using uniform customer hotline in Guangdong Province, 4009-302-333, and Wechat public account. We received a total of over 70,000 passenger inquiries and the successful rate of customer service was 94.5%, representing a year-on-year increase of 14%. The customer service centre also conducted visits for passenger experience to enhance overall service quality.
- (6) Consolidating and developing cross-border passenger business. The passenger business has been affected by the pandemic and suspended since February 2020. Till now, GD-HK Company of the Group upheld the tasks on prevention and control of the pandemic and stabilization, promoted the exploration of revenue streams and cost saving under the foundation of "six protections and six stabilities", adopted different effective risk prevention measures and strived to minimize the impacts of the pandemic.

3. Taiping Interchange Operation

For the first half of 2021, the accumulated traffic volume of Taiping Interchange was approximately 15.37 million vehicles, and the daily average traffic volume was approximately 85,000 vehicles, representing a year-on-year increase of approximately 212.49%. The toll revenue was approximately RMB57.31 million and the daily average toll revenue was approximately RMB0.3183 million, representing a year-on-year increase of approximately 259.7%. We mainly completed the following tasks:

- (1) The Group has proactively addressed the adverse impacts brought by the change in external environment, continued to increase operational efficiency and maximized the traffic volume and toll revenue by continuously enhancing service level.
- (2) We fully implemented the maintenance and repair scheme of Taiping Interchange to protect the safe operation of its infrastructure. We have completed a series of repair and maintenance of the parapets and spaces under bridges, facilities in square, retractable canopies at bridges and made a full inspection on safety issues. At the same time, we strengthened the maintenance of electro-mechanical system, toll system, telecommunication system and control system, continuously improved the daily inspection of Taiping Interchange and ensured the bridges and road unblocked.

Management Discussion and Analysis

FINANCIAL REVIEW

THE GROUP'S INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

For the six months ended 30 June 2021, operating income of the Group amounted to RMB3,092.467 million (In the corresponding period in 2020: RMB2,601.847 million), representing a year-on-year increase of RMB490.620 million or 19%. Gross profit amounted to RMB212.368 million (In the corresponding period in 2020: RMB21.489 million), representing a year-on-year increase of RMB190.879 million or 888%. The year-on-year increase in operating income and gross profit was due to the recovery of business after the pandemic and the increase in scale of energy business, which resulted in the increase in revenue.

For the six months ended 30 June 2021, the Group realized an accumulated net loss of RMB123.988 million (In the corresponding period in 2020: net loss of RMB182.471 million); net loss attributable to the shareholders of the Company (the "**Shareholders**") of RMB60.764 million (In the corresponding period in 2020: net loss attributable to the Shareholders of RMB111.440 million); basic loss per share was RMB0.08 (In the corresponding period in 2020: basic loss per share of RMB0.14).

The changes in our results of operations were mainly due to the following reasons: (1) the growth in our energy business as compared to the corresponding period in 2020; (2) our efforts in proactively advancing the market-oriented transformation and upgrading of the road transportation business; (3) a year-on-year increase in the number of toll collection days for the operation of Taiping Interchange; and (4) a year-on-year decrease in subsidies for operation of new energy vehicles recognized for the period as a result of the unclear standard of new subsidies.

Operating income

Operating income of the Group was mainly derived from expressway service zones operation and road passenger transportation and auxiliary services. Operating income of the Group for the first half of 2021 amounted to RMB3,092.467 million (In the corresponding period in 2020: RMB2,601.847 million), representing a year-on-year increase of RMB490.620 million or 19%. The year-on-year increase in operating income was due to the recovery of business after the pandemic and the increase in scale of energy business, which resulted in the increase in revenue.

Management Discussion and Analysis

Operating income by business segments:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	RMB'000	Percentage	RMB'000	Percentage
Expressway Service Zones Operation	1,820,236	59%	1,410,175	54%
Road Passenger Transportation and Auxiliary Services	1,184,237	38%	1,026,373	39%
Taiping Interchange Operation	57,310	2%	19,572	1%
Other business	30,684	1%	145,727	6%
Total	<u>3,092,467</u>	<u>100%</u>	<u>2,601,847</u>	<u>100%</u>

1. Expressway Service Zones Operation

Expressway service zones operation recorded operating income of RMB1,820.236 million for the first half of 2021 (In the corresponding period in 2020: RMB1,410.175 million), representing a year-on-year increase of RMB410.061 million or approximately 29%, which was mainly due to a substantial increase in income from the energy business. Among which:

- (1) For energy business, the operating income amounted to RMB1,382.083 million for the first half of 2021 (In the corresponding period in 2020: RMB983.959 million), representing a year-on-year increase of RMB398.124 million or approximately 40%, which was mainly due to the recovery of passenger volume after the pandemic and the year-on-year increase in scale of self-operated oil stations.
- (2) For retail business, the operating income amounted to RMB226.014 million for the first half of 2021 (In the corresponding period in 2020: RMB218.752 million), representing a year-on-year increase of RMB7.262 million or approximately 3%.
- (3) For merchant solicitation business, the operating income amounted to RMB162.336 million for the first half of 2021 (In the corresponding period in 2020: RMB153.746 million), representing a year-on-year increase of RMB8.590 million or approximately 6%.
- (4) For advertising business, the operating income amounted to RMB49.803 million for the first half of 2021 (In the corresponding period in 2020: RMB53.718 million), representing a year-on-year decrease of RMB3.915 million or approximately 7%, which was mainly due to the year-on-year decrease in income derived from advertising planning business.

Management Discussion and Analysis

2. Road Passenger Transportation and Auxiliary Services

Road passenger transportation and auxiliary services recorded operating income of RMB1,184.237 million for the first half of 2021 (In the corresponding period in 2020: RMB1,026.373 million), representing a year-on-year increase of RMB157.864 million or approximately 15%, which was mainly attributable to the recovery in passenger flow after the pandemic, the vigorous progress in the transformation and upgrade of the Company and the effort in minimizing the impact of the pandemic.

3. Taiping Interchange Operation

For operation of Taiping Interchange, the operating income amounted to approximately RMB57.310 million for the first half of 2021 (In the corresponding period in 2020: RMB19.572 million), representing a year-on-year increase of RMB37.738 million or approximately 193%, which was mainly due to the toll fee exemption implemented from February to April last year, as a result of the impact of the pandemic.

4. Other business

For other business segment, the operating income amounted to RMB30.684 million for the first year of 2021 (In the corresponding period in 2020: RMB145.727 million), representing a year-on-year decrease of RMB115.043 million or approximately 79%, and accounted for approximately 1% (In the corresponding period in 2020: 6%) of the total operating income of the Group. The decrease in operating income was mainly due to the decrease in business volume of material logistics inventory.

Gross profit

Gross profit of the Group for the first half of 2021 amounted to RMB212.368 million (In the corresponding period in 2020: RMB21.489 million), representing a year-on-year increase of RMB190.879 million or approximately 888%. Gross profit margin was 6.87% (In the corresponding period in 2020: 0.83%).

Management Discussion and Analysis

Gross profit by business segments:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	RMB'000	Percentage	RMB'000	Percentage
Expressway Service Zones Operation	296,832	140%	282,401	1,314%
Road passenger transportation and auxiliary services	(134,855)	(64%)	(266,298)	(1,239%)
Taiping Interchange operation	48,437	23%	4,074	19%
Other business	1,954	1%	1,312	6%
Total	<u>212,368</u>	<u>100%</u>	<u>21,489</u>	<u>100%</u>

1. Expressway Service Zones Operation

Expressway service zones operation recorded a gross profit of RMB296.832 million in the first half of 2021 (In the corresponding period in 2020: RMB282.401 million), representing a year-on-year increase of RMB14.431 million or approximately 5%, and the gross profit margin was 16% (In the corresponding period in 2020: 20%). The year-on-year increase in gross profit was mainly due to the expanded scale of self-operated oil stations, which resulted in a year-on-year increase in income, including:

- (1) The energy business generated a gross profit of RMB202.214 million in the first half of 2021 (In the corresponding period in 2020: RMB168.028 million), representing a year-on-year increase of RMB34.186 million or approximately 20%. The gross profit margin was 15% (In the corresponding period in 2020: 17%). The year-on-year increase in gross profit was mainly due to the increase in revenue. The gross profit margin from purchase and sale of the energy business for the period was 23% (In the corresponding period in 2020: 24%).
- (2) The retail business generated a gross profit of RMB35.235 million in the first half of 2021 (In the corresponding period in 2020: RMB36.143 million), representing a year-on-year decrease of RMB0.908 million or approximately 3%. The gross profit margin was 16% (In the corresponding period in 2020: 17%). The decrease in gross profit was mainly due to the initial costs resulting from the expansion of scale.

Management Discussion and Analysis

- (3) The merchant solicitation business generated a gross profit of RMB36.841 million in the first half of 2021 (In the corresponding period in 2020: RMB48.963 million), representing a year-on-year decrease of RMB12.122 million or approximately 25%. The gross profit margin was 23% (In the corresponding period in 2020: 32%). The year-on-year decrease in gross profit and gross profit margin was mainly due to 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.
- (4) The advertising business generated a gross profit of RMB22.542 million in the first half of 2021 (In the corresponding period in 2020: RMB29.267 million), representing a year-on-year decrease of RMB6.725 million or approximately 23%. The gross profit margin was 45% (In the corresponding period in 2020: 54%). The decrease in gross profit was mainly due to the decrease in revenue derived from the advertising planning business.

2. Road passenger transportation and auxiliary services

Road passenger transportation and auxiliary services generated a gross loss of RMB134.855 million in the first half of 2021 (In the corresponding period in 2020: gross loss of RMB266.298 million). The gross loss margin was 11% (In the corresponding period in 2020: gross loss margin of 26%). The gross loss was mainly attributable to (1) the impact on both transportation volume and actual load rate of the road passenger transportation and auxiliary services as a result of the requirement that people shall stay at their local regions during the Lunar New Year holiday in light of the continuous effect of COVID-19, and the prevention and control measures required for the pandemic in Guangdong in May and June; (2) government subsidies received for promoting the application of new energy vehicles by the Company were recognized under "Other Gain" and a year-on-year decrease in subsidies for operation of new energy vehicles as a result of the unclear standard of new subsidies.

3. Taiping Interchange operation

Taiping Interchange operation generated a gross profit of RMB48.437 million in the first half of 2021 (In the corresponding period in 2020: RMB4.074 million), representing a year-on-year increase of RMB44.363 million or approximately 1,090%. The gross profit margin was 85% (In the corresponding period in 2020: 21%), which was mainly due to the increase in revenue.

4. Other business

The other business segment generated a gross profit of RMB1.954 million in the first half of 2021 (In the corresponding period in 2020: RMB1.312 million), representing a year-on-year increase of RMB0.642 million or approximately 49%. The gross profit margin was 6% (In the corresponding period in 2020: 1%), which was mainly due to the decrease in cost of repair and maintenance.

Taxes and surcharges

In the first half of 2021, taxes and surcharges of the Group amounted to RMB22.568 million (In the corresponding period in 2020: RMB17.633 million), representing a year-on-year increase of RMB4.935 million or approximately 28%, mainly due to a decrease in taxes and surcharges affected by the relevant tax reduction and exemption policies in the corresponding period last year.

Selling and distribution expenses

In the first half of 2021, selling and distribution expenses of the Group amounted to RMB27.953 million (In the corresponding period in 2020: RMB30.629 million), in aggregate, representing a year-on-year decrease of RMB2.676 million or approximately 9%.

General and administrative expenses, and research and development expenses

In the first half of 2021, the Group incurred general and administrative expenses, and research and development expenses of RMB281.711 million (In the corresponding period in 2020: RMB286.827 million), representing a year-on-year decrease of RMB5.116 million or approximately 2%.

Finance expenses

In the first half of 2021, finance expenses of the Group amounted to RMB120.143 million (In the corresponding period in 2020: RMB113.022 million), representing a year-on-year increase of RMB7.121 million or approximately 6%.

Other income

The Group's other income derived in the first half of 2021 amounted to RMB164.627 million (In the corresponding period in 2020: RMB245.434 million), representing a year-on-year decrease of RMB80.807 million or approximately 33%, mainly due to a year-on-year decrease in subsidies for operation of new energy vehicles recognized for the period as a result of the unclear standard of new subsidies.

Investment income

The Group's investment gain derived in the first half of 2021 amounted to RMB6.522 million (In the corresponding period in 2020: investment income of RMB4,000), representing a year-on-year increase of RMB6.518 million or approximately 162,950%, which was mainly due to the impact of a year-on-year increase in the net profit for the period from the associates and joint ventures of the Group.

Management Discussion and Analysis

Credit impairment

Loss of credit impairment of the Group in the first half of 2021 was RMB5.441 million (In the corresponding period in 2020: loss of credit impairment of RMB7.395 million), representing a year-on-year decrease of RMB1.954 million or 26%, mainly due to the impact of loss of credit impairment resulting from consolidation of Zhong Yue Tong Company in the corresponding period last year.

Impairment losses

There were no impairment losses of the Group in the first half of 2021 (In the corresponding period in 2020: RMB5.897 million). The year-on-year decrease was mainly due to the effects of impairment as a result of the consolidation of Zhong Yue Tong Company in the corresponding period last year.

Gains from Asset Disposals

Gains from asset disposals of the Group in the first half of 2021 amounted to RMB4.538 million (In the corresponding period in 2020: RMB621,000), representing a year-on-year increase of RMB3.917 million or approximately 631%, which was mainly due to a year-on-year increase in disposal of assets for the period.

Non-Operating Income and Expenses

The net amount of non-operating income and expenses in the first half of 2021 incurred a net expense of RMB1.642 million (In the corresponding period in 2020: net income of RMB16.502 million), representing a year-on-year decrease in net income of RMB18.144 million or 110%, mainly due to the decrease in the non-recurring government subsidies as compared to the same period of last year.

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group proactively optimized 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 2021, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB4,187.869 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 2021	31 December 2020
	RMB'000	RMB'000
Borrowings (from banks and other financial institutions)	2,956,743	3,046,191
Less: Cash and cash equivalents	1,263,975	1,241,551
Net liabilities	1,692,768	1,804,640
Total liabilities	7,669,641	7,902,617
Total shareholder's equity	2,989,205	3,150,113
Total equity	4,681,973	4,954,753
Total assets	10,658,846	11,052,730
Gearing ratio	36.16%	36.42%
Asset to liability ratio	71.96%	71.50%

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 2021, 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		
	2021	2020	Change
	RMB'000	RMB'000	RMB'000
Operating activities	510,097	352,216	157,881
Investing activities	(212,576)	(413,786)	201,210
Financing activities	(272,169)	59,368	(331,537)

Management Discussion and Analysis

Operating activities

In the first half of 2021, the Group's net inflow from operating activities amounted to RMB510.097 million (In the corresponding period in 2020: net inflow of RMB352.216 million), A year-on-year increase in net inflow of RMB157.881 million was mainly due to the increase in cash income received in the period.

Investing activities

In the first half of 2021, the net cash outflow from investing activities was RMB212.576 million (In the corresponding period in 2020: net outflow of RMB413.786 million), representing a decrease in net outflow of RMB201.210 million, which was mainly attributable to a year-on-year decrease in cash payment for acquisition of fixed assets, such as vehicles, as a result of the Group's effort in managing its investment scale.

Financing activities

In the first half of 2021, the net cash outflow from financing activities was RMB272.169 million (In the corresponding period in 2020: net inflow of RMB59.368 million), representing an increase in net outflow of RMB331.537 million, which was mainly attributable to a year-on-year increase in cash payment for repayment of debts.

Borrowings

As of 30 June 2021, outstanding borrowings of the Group was RMB2,956.743 million (31 December 2020: RMB3,046.191 million), comprising: (i) unsecured short-term loans of RMB398.629 million (31 December 2020: RMB373.515 million); (ii) secured short-term loans of RMB209.283 million (31 December 2020: RMB190.097 million); (iii) pledged short-term loans of nil (31 December 2020: RMB30.0 million); (iv) unsecured long-term loans of RMB1,088.160 million (31 December 2020: RMB1,034.153 million); (v) secured long-term loans of RMB311.287 million (31 December 2020: RMB362.410 million); (vi) pledged long-term loans of RMB94.590 million (31 December 2020: RMB162.781 million); (vii) finance lease payables of RMB464.202 million ((31 December 2020: RMB500.701 million); and (viii) bonds payables of RMB390.592 million (31 December 2020: RMB392.534 million). As of 30 June 2021, 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 59%.

Material subsequent events

Nil.

Major acquisitions and establishment of new companies

Nil.

Management Discussion and Analysis

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)
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 2021, fixed assets at the net value of approximately RMB351.410 million (31 December 2020: RMB385.515 million) and land use rights at the net value of RMB131.356 million (31 December 2020: RMB193.107 million) of the Group were pledged as security for borrowings. As at 30 June 2021, transportation vehicles at net value of approximately RMB280.563 million (31 December 2020: RMB442.464 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 2021, 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 2021, the Group had no material contingent liabilities.

SHARE CAPITAL

As at 30 June 2021, 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 2021, 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 2021, 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 2021 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 2021, 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:

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 (Note 2)	Interests of controlled corporations	16.22%	4.20%
China Petroleum & Chemical Corporation	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%
Sinopec Sales Company Limited	H Shares	33,570,000 (Note 2)	Interests of controlled corporations	16.22%	4.20%

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
Sinopec (Hong Kong) Limited	H Shares	33,570,000 (Note 2)	Beneficial owner	16.22%	4.20%
Pope Asset Management, LLC	H Shares	23,318,747	Investment manager	11.27%	2.92%
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 68.31% 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 2021, 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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2021, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company.

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 2021, 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/ Supervisor	Capacity	Number of shares held	Approximate percentage in the relevant class of share capital
Guangdong Yueyun Transportation Company Limited	Zhang Xian	Beneficial owner	10,000	0.005%

Except as disclosed above, as at 30 June 2021, 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.

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

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

Except as disclosed above, as at 30 June 2021, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the Group and the Board 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 2021, 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 for Securities Transactions by Directors of Listed Issuers (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 2021.

BOARD

As at 30 June 2021 and up to the date of this report, the Directors in office were as follows:

Name	Date of appointment as a Director	Date of resignation as a Director
Executive Directors		
Mr. Xuan Zongmin (Appointed as a non-executive Director on 6 June 2012, and re-designated as an executive Director on 18 December 2012)	6 June 2012	31 March 2021
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. Zhang Xian	22 July 2019	N/A
Mr. Huang Wenban	22 December 2020	N/A
Non-Executive Directors		
Mr. Chen Min	7 June 2016	N/A
Mr. Chen Chuxuan	17 June 2019	N/A
Independent Non-Executive Directors		
Mr. Jin Wenzhou	4 April 2014	N/A
Ms. Lu Zhenghua	7 June 2016	N/A
Ms. Wen Huiying	15 August 2018	N/A
Mr. Zhan Xiaotong	15 August 2018	N/A

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 during the Reporting Period.

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 2021, 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 2021 and recommended its adoption by the Board. The independent auditor of the Company, BDO China SHU LUN PAN Certified Public Accountants LLP, has also reviewed the unaudited interim financial report for the six months ended 30 June 2021 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 2021 and up to the date of this report, the Supervisory Committee comprised 7 Supervisors, and the Supervisors in office were as follows:

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

Other Information

EMPLOYEES AND REMUNERATION POLICIES

The Group had 22,014 employees as at 30 June 2021 (31 December 2020: 23,391). Total staff costs for the six months ended 30 June 2021, including the Directors' remuneration, amounted to approximately RMB941 million (in the corresponding period in 2020: approximately RMB874 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 endeavour to provide training and education to employees at all levels. The Group has faithfully implemented budgeted standard for training expenses and its implementation plan, utilised the online platform and offline resources to enhance our internal talent nurturing and strived to establish different types of internal training courses. As of 30 June 2021, the Group has conducted a total of 328 training courses with 24,900 participants and total curriculum duration of approximately 588,250 hours. Self-evaluation on the internal and external trainings by the participants showed that overall satisfaction rate was above 95% or a level of satisfactory was attained.

DIVIDEND

The Board has not declared the payment of an interim dividend for the six months ended 30 June 2021.

AUDITOR OF THE COMPANY

The Shareholders considered and approved the ordinary resolution in respect of the proposed appointment of BDO China SHU LUN PAN Certified Public Accountants 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.

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.

Qingyuan Yueyun Vehicles Transportation Co., Ltd. (清遠市粵運汽車有限公司) ("**Qingyuan Yueyun**"), a subsidiary of the Company, initiated a law suit against Qingyuan Sun Hung Kai Property Development Co., Ltd.* (清遠市新鴻基房地產開發有限公司) ("**SHK**") in the People's Court of Qingcheng District in Qingyuan City ("**District Court**") to recover an overdue amount of RMB35,681,100 plus interest owed by the aforesaid defendant to Qingyuan Yueyun which provided the sum as advances. the District Court made a ruling on 11 December 2019 and determined that the case was not within the civil jurisdiction of the court and rejected the case initiated by Qingyuan Yueyun. on 26 December 2019, Qingyuan Yueyun made an appeal to the People's Intermediate Court of Qingyuan City ("**Intermediate Court of Qingyuan**"), a ruling was made by the Intermediate Court of Qingyuan on 26 February 2020 that the District Court should conduct a trial on the case, the applicable law used by the District Court in the first instance ruling was inappropriate, and the first instance ruling of the District Court was overruled. on 9 June 2020, the District Court reheard the case and made a ruling on 21 September 2020 and determined that the evidence was insufficient and rejected the case initiated by Qingyuan Yueyun. On 30 September 2020, Qingyuan Yueyun made an appeal to the Intermediate Court of Qingyuan. After the appeal of Qingyuan Yueyun to the Intermediate Court of Qingyuan, Qingyuan Yueyun and SHK had reached an intention of settlement and proposed a settlement proposal regarding the case after the communication and coordination. On 10 June 2021, Qingyuan Yueyun and SHK has entered into an agreement related to the settlement. On 10 June 2021, Qingyuan Yueyun and SHK had submitted the Application Letter of Lawsuit Withdrawal to the Intermediate Court of Qingyuan, respectively. On 11 June 2021, the Intermediate Court of Qingyuan has made the judgement to approve the withdrawal of lawsuit by Qingyuan Yueyun that the first judgement has been legally effective from the delivery date and the case was closed.

Review Report

Xin Kuai Shi Bao Zi [2021] No. ZM10095

To the shareholders of Guangdong Yueyun Transportation Company Limited:

We have reviewed the accompanying interim financial statements of Guangdong Yueyun Transportation Company Limited (“Yueyun Transportation”), which comprises the consolidated and company balance sheets as at 30 June 2021, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholder’s equity for the six months ended and notes to the interim financial statements. The management of Yueyun Transportation is responsible for preparing the interim financial statements in accordance with the requirements of Accounting Standard for Business Enterprises. Our responsibility is to issue a review report on the interim financial statements based on our review.

We conducted our review in accordance with Standard on Review Engagements for Certified Public Accountants of China 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 statements are 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 statements are not prepared in accordance with the requirements of Accounting Standards for Business Enterprises, and cannot present fairly, in all material respects, the consolidated and the company’s financial position of Yueyun Transportation as at 30 June 2021, the consolidated operating results and cash flows and the company’s operating results and cash flows for the six months ended 30 June 2021.

BDO China SHU LUN PAN
Certified Public Accountants LLP

Certified Public Accountant of China:
Jianggan

Certified Public Accountant of China:
Zhangxi

Certified Public Accountant of China:
Wangyaohua

Shanghai • China

19 August 2021

Consolidated Balance Sheet (Unaudited)

As at 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note V	Closing balance	Balance at the end of previous year
Assets			
Current assets			
Cash at bank and on hand		1,278,587,984.11	1,257,189,988.22
Bills receivable		—	300,000.00
Accounts receivable	1	395,411,286.58	397,134,363.09
Prepayments		202,395,010.08	202,559,081.83
Other receivables		404,373,855.87	529,245,803.49
Inventories		115,831,258.21	116,442,130.05
Non-current assets due within one year		90,842.89	609,548.93
Other current assets		61,465,514.73	51,823,992.50
Total current assets		2,458,155,752.47	2,555,304,908.11
Non-current assets			
Long-term equity investments	2	365,987,222.23	359,966,325.61
Investments in other equity instruments	3	4,224,048.22	4,224,048.22
Investment properties		99,716,808.85	89,597,709.57
Fixed assets	4	3,706,675,311.82	3,870,626,229.91
Construction in progress		103,078,092.04	111,025,507.16
Right-of-use assets	5	2,111,846,385.60	2,191,785,806.40
Intangible assets	6	969,198,674.61	1,034,544,593.61
Goodwill		98,674,211.85	98,674,211.85
Long-term deferred expenses		261,619,309.27	254,021,960.25
Deferred tax assets		288,535,513.34	269,416,097.10
Other non-current assets		191,135,048.74	213,542,862.16
Total non-current assets		8,200,690,626.57	8,497,425,351.84
Total assets		10,658,846,379.04	11,052,730,259.95

Consolidated Balance Sheet (Unaudited)

As at 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note V	Closing balance	Balance at the end of previous year
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans	7	607,911,344.26	593,611,398.50
Bills payable		13,511,200.00	–
Accounts payable	8	611,762,136.48	678,605,751.61
Advances from customers		108,590,310.88	104,125,802.87
Contract liabilities		52,493,791.10	54,113,548.27
Employee benefits payable		211,135,690.71	217,651,415.55
Taxes payable		119,491,696.83	102,910,404.33
Other payables		744,910,963.81	810,086,298.05
Non-current liabilities due within one year	9	528,013,118.52	532,304,104.16
Total current liabilities		2,997,820,252.59	3,093,408,723.34
Non-current liabilities			
Long-term loans	10	1,251,695,851.79	1,316,819,266.63
Bonds payable	11	390,592,096.08	392,533,626.17
Lease liabilities	12	2,098,319,028.15	2,141,386,286.24
Long-term payables		87,411,151.55	79,084,738.67
Long-term employee benefits payable		186,511,655.62	193,457,414.52
Deferred income		573,332,574.65	610,531,662.58
Deferred tax liabilities		83,958,850.54	75,395,451.85
Total non-current liabilities		4,671,821,208.38	4,809,208,446.66
Total liabilities		7,669,641,460.97	7,902,617,170.00

Consolidated Balance Sheet (Unaudited)

As at 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note V	Closing balance	Balance at the end of previous year
Liabilities and shareholders' equity (continued)			
Shareholders' equity			
Share capital		799,847,800.00	799,847,800.00
Capital reserve		20,314,207.10	18,800,491.50
Other comprehensive income		(33,687,342.06)	(32,525,484.69)
Special reserve		24,555,927.00	19,891,553.86
Surplus reserve		212,973,127.89	212,973,127.89
Retained earnings	13	991,538,992.57	1,052,303,964.69
		<u>2,015,542,712.50</u>	<u>2,071,291,453.25</u>
Equity attributable to shareholders of the Company		2,015,542,712.50	2,071,291,453.25
Non-controlling interests		973,662,205.57	1,078,821,636.70
		<u>2,989,204,918.07</u>	<u>3,150,113,089.95</u>
Total shareholders' equity		2,989,204,918.07	3,150,113,089.95
Total liabilities and shareholder's equity		10,658,846,379.04	11,052,730,259.95

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

Company representative

Huangwenban

The person in charge
of accounting affairs

Lengxuelin

The head of the
accounting department

Company Balance Sheet (Unaudited)

As at 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note XI	Closing balance	Balance at the end of previous year
Assets			
Current assets			
Cash at bank and on hand		645,710,237.82	660,332,955.71
Accounts receivable	1	79,358,325.60	83,379,091.30
Prepayments		10,629,509.72	19,230,588.33
Other receivables		207,651,780.12	156,787,333.58
Inventories		376,832.80	90,723.73
Other current assets		746,162.68	54,176.99
Total current assets		944,472,848.74	919,874,869.64
Non-current assets			
Long-term receivables		48,000,000.00	49,200,000.00
Long-term equity investments		1,841,460,251.72	1,807,266,281.32
Investments in other equity instruments		1,377,412.45	1,377,412.45
Fixed assets		6,346,125.76	6,761,273.43
Construction in progress		5,143,713.08	5,743,524.08
Right-of-use assets		18,410,876.48	3,068,425.01
Intangible assets		66,662,422.23	69,319,436.68
Long-term deferred expenses		1,653,627.42	1,792,010.70
Deferred tax assets		138,436,306.24	138,201,986.99
Other non-current assets		555,987.26	—
Total non-current assets		2,128,046,722.64	2,082,730,350.66
Total assets		3,072,519,571.38	3,002,605,220.30

Company Balance Sheet (Unaudited)

As at 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note XI	Closing balance	Balance at the end of previous year
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans		95,100,277.78	95,000,000.00
Bills payable		11,050,000.00	—
Accounts payable		28,185,195.83	28,756,480.14
Contract liabilities		8,872,381.43	29,618,046.02
Employee benefits payable		18,707,007.74	18,740,185.07
Taxes payable		5,712,559.32	3,816,210.98
Other payables		491,284,433.26	467,698,380.42
Non-current liabilities due within one year		43,102,649.82	22,991,316.29
Total current liabilities		702,014,505.18	666,620,618.92
Non-current liabilities			
Long-term loans		477,791,750.00	488,445,500.00
Bonds payable		390,592,096.08	392,533,626.17
Lease liabilities		11,346,331.19	1,539,878.32
Total non-current liabilities		879,730,177.27	882,519,004.49
Total liabilities		1,581,744,682.45	1,549,139,623.41

Company Balance Sheet (Unaudited)

As at 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note XI	Closing balance	Balance at the end of previous year
Liabilities and shareholders' equity (Continued)			
Shareholders' equity			
Share capital		799,847,800.00	799,847,800.00
Capital reserve		128,513,590.23	128,513,590.23
Surplus reserve		213,520,367.52	213,520,367.52
Retained earnings		348,893,131.18	311,583,839.14
Total shareholders' equity		<u>1,490,774,888.93</u>	<u>1,453,465,596.89</u>
Total liabilities and shareholder's equity		<u>3,072,519,571.38</u>	<u>3,002,605,220.30</u>

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

Company representative

Huangwenban

The person in charge
of accounting affairs

Lengxuelin

The head of the
accounting department

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note V	Amount for the period	Amount for the previous period
I. Operating income		3,092,466,602.37	2,601,847,080.47
Including: operating income		3,092,466,602.37	2,601,847,080.47
II. Operating costs		3,332,474,728.86	3,028,469,274.81
Including: Operating costs		2,880,099,012.22	2,580,358,366.56
Taxes and surcharges		22,568,385.29	17,632,607.05
Selling and distribution expenses		27,953,498.16	30,629,551.90
General and administrative expenses		281,710,805.01	286,785,677.90
Research and development expenses		–	40,980.97
Financial expenses	14	120,143,028.18	113,022,090.43
Including: Interest expenses		115,353,696.43	108,047,092.90
Interest income		7,073,928.87	8,466,464.40
Add: Other income	15	164,626,918.37	245,434,154.44
Investment income	16	6,522,290.38	3,922.21
Including: Income/(loss) from investments in associates and joint ventures		6,751,981.10	(1,406,500.43)
Provision of credit losses	17	(5,441,123.58)	(7,394,597.79)
Impairment losses of assets		–	(5,897,186.88)
Gain on disposals of assets	18	4,538,582.44	621,213.46
III. Operating loss		(69,761,458.88)	(193,854,688.90)
Add: Non-operating income	19	5,834,749.86	28,756,932.60
Less: Non-operating expenses		7,476,497.65	12,255,700.42
IV. Loss before income tax		(71,403,206.67)	(177,353,456.72)
Less: Income tax expenses	20	52,585,420.95	5,117,812.89

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note V	Amount for the period	Amount for the previous period
V. Net loss for the period		<u>(123,988,627.62)</u>	<u>(182,471,269.61)</u>
1. Net loss classified by continuity of operations			
(1) Net loss from continuing operations		<u>(123,988,627.62)</u>	(182,471,269.61)
(2) Net loss from discontinued operations		<u>-</u>	<u>-</u>
2. Net loss classified by ownership			
(1) Shareholders of the Company		<u>(60,764,972.12)</u>	(111,440,445.24)
(2) Non-controlling interests		<u>(63,223,655.50)</u>	<u>(71,030,824.37)</u>
VI. Other comprehensive income, net of tax		<u>(1,798,751.71)</u>	6,281,309.50
Other comprehensive income (net of tax) attributable to shareholders of the Company		<u>(1,161,857.37)</u>	3,948,822.18
1. Item that will not be reclassified to profit or loss		<u>624,460.20</u>	(292,556.24)
(1) Remeasurement of defined benefit plan		<u>624,460.20</u>	(292,556.24)
2. Item that may be reclassified to profit or loss:		<u>(1,786,317.57)</u>	4,241,378.42
(1) Translation differences arising from translation of foreign currency financial statements		<u>(1,786,317.57)</u>	4,241,378.42
Other comprehensive income (net of tax) attributable to non-controlling interests		<u>(636,894.34)</u>	<u>2,332,487.32</u>

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note V	Amount for the period	Amount for the previous period
VII. Total comprehensive income for the period		<u>(125,787,379.33)</u>	<u>(176,189,960.11)</u>
Attributable to:			
Shareholder of the Company		<u>(61,926,829.49)</u>	(107,491,623.06)
Non-controlling interests		<u>(63,860,549.84)</u>	<u>(68,698,337.05)</u>
VIII. Loss per share			
1. Basic earnings per share	21	<u>(0.08)</u>	(0.14)
2. Diluted earnings per share	21	<u>(0.08)</u>	<u>(0.14)</u>

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

Company representative

Huangwenban

The person in charge
of accounting affairs

Lengxuelin

The head of the
accounting department

Company Income Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note XI	Amount for the period	Amount for the previous period
I. Operating income		84,257,697.45	162,113,453.02
Less: Operating costs		36,552,534.96	157,985,788.71
Taxes and surcharges		230,063.99	346,667.41
Selling and distribution expenses		(74,791.16)	71,333.07
General and administrative expenses		34,951,769.53	29,662,799.66
Financial expenses		16,887,701.17	16,400,137.65
Including: Interest expenses		23,364,847.84	21,327,714.91
Interest income		6,517,139.72	6,077,357.60
Add: Other income		28,597.45	–
Investment income	2	40,822,314.28	28,954,166.90
Including: Income from investments in associates and joint ventures		9,781,170.40	5,864,338.48
(Provision)/reversal of impairment of credit losses		(771,099.15)	2,481,373.34
II. Operating profit/(loss)		35,790,231.54	(10,917,733.24)
Add: Non-operating income		1,330,826.25	–
Less: Non-operating expenses		46,085.00	–
III. Profit/(loss) before income tax		37,074,972.79	(10,917,733.24)
Less: Income tax expenses		(234,319.25)	(2,135,155.94)

Company Income Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Note XI	Amount for the period	Amount for the previous period
IV. Net profit/(loss) for the period		37,309,292.04	(8,782,577.30)
1. Net profit/(loss) from continuing operations		37,309,292.04	(8,782,577.30)
2. Net profit/(loss) from discontinued operations		—	—
V. Other comprehensive income, net of tax		—	—
VI. Total comprehensive income for the period		37,309,292.04	(8,782,577.30)

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

Company representative

Huangwenban

The person in charge
of accounting affairs

Lengxuelin

The head of the
accounting department

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	3,278,907,164.55	2,738,075,115.31
Proceeds from other operating activities	315,461,703.32	256,168,500.19
	<hr/>	<hr/>
Subtotal of cash inflows	3,594,368,867.87	2,994,243,615.50
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Payment for goods and services	1,824,588,981.60	1,535,935,710.65
Payment to and for employees	933,047,107.64	893,157,919.20
Payment of various taxes	152,151,421.36	113,139,311.46
Payment relating to other operating activities	174,484,118.32	99,794,884.60
	<hr/>	<hr/>
Subtotal of cash outflows	3,084,271,628.92	2,642,027,825.91
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash inflows from operating activities	510,097,238.95	352,215,789.59

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
II. Cash flows from investing activities:		
Cash received from investment	–	807,488.72
Investment returns received	1,800,000.00	14,116,116.00
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	6,171,865.75	26,617,713.68
Net proceeds from disposal of subsidiaries	–	861,571.67
Proceeds from investment income	–	37,375,843.25
	<hr/>	<hr/>
Subtotal of cash inflows	7,971,865.75	79,778,733.32
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Payment for acquisition of fixed assets, intangible assets and other long-term assets	220,547,820.27	493,564,912.28
	<hr/>	<hr/>
Subtotal of cash outflows	220,547,820.27	493,564,912.28
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash outflows from investing activities	(212,575,954.52)	(413,786,178.96)

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
III. Cash flows from financing activities:		
Proceeds from borrowings	745,931,581.19	625,937,416.33
Proceeds relating to other financing activities	1,572,247.14	586,397.98
	<hr/>	<hr/>
Subtotal of cash inflows	747,503,828.33	626,523,814.31
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Repayments of borrowings	792,523,173.95	394,334,353.06
Payment for dividend, profit distributions or interest Including: Dividend or profits paid to non-controlling shareholders of subsidiaries	82,060,224.26	55,136,539.84
	20,335,461.78	–
Payment relating to other financing activities	145,089,417.14	117,684,493.90
	<hr/>	<hr/>
Subtotal of cash outflows	1,019,672,815.35	567,155,386.80
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash (outflow)/inflow from financing activities	(272,168,987.02)	59,368,427.51
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
IV. Effect of foreign exchange rate changes on cash and cash equivalents	<u>(2,928,401.89)</u>	<u>3,399,772.30</u>
V. Net increase in cash and cash equivalents	22,423,895.52	1,197,810.44
Add: Cash and cash equivalents at the beginning of the period	<u>1,241,551,487.41</u>	<u>1,163,480,565.54</u>
VI. Cash and cash equivalents at the end of the period	<u>1,263,975,382.93</u>	<u>1,164,678,375.98</u>

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

Company representative

Huangwenban

The person in charge
of accounting affairs

Lengxuelin

The head of the
accounting department

Company Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
I. Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	73,800,605.95	194,461,868.68
Proceeds from other operating activities	45,775,942.44	1,819,888.57
	<hr/>	<hr/>
Subtotal of cash inflows	119,576,548.39	196,281,757.25
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Payment for goods and services	13,815,892.75	163,584,119.99
Payment to and for employees	22,776,503.84	19,012,302.52
Payment of various taxes	1,950,613.16	863,604.04
Payment relating to other operating activities	105,296,935.33	39,355,929.04
	<hr/>	<hr/>
Subtotal of cash outflows	143,839,945.08	222,815,955.59
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash outflows from operating activities	(24,263,396.69)	(26,534,198.34)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

Company Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
II. Cash flows from investing activities:		
Investment returns received	<u>31,041,143.88</u>	<u>39,936,747.88</u>
Subtotal of cash inflows	<u>31,041,143.88</u>	<u>39,936,747.88</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets	<u>1,701,119.26</u>	588,509.70
Payment for acquisition of investments	<u>21,212,800.00</u>	—
Subtotal of cash outflows	<u>22,913,919.26</u>	<u>588,509.70</u>
Net cash inflows from investing activities	<u>8,127,224.62</u>	<u>39,348,238.18</u>

Company Cash Flow Statement (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period	Amount for the previous period
III. Cash flows from financing activities:		
Proceeds from borrowings	163,000,000.00	125,000,000.00
Proceeds relating to other financing activities	24,633,331.63	—
Subtotal of cash inflows	<u>187,633,331.63</u>	<u>125,000,000.00</u>
Repayments of borrowings	172,392,250.00	97,000,000.00
Payment for dividend, profit distributions or interest	11,287,364.45	6,362,097.48
Payment relating to other financing activities	2,440,263.00	30,139,777.02
Subtotal of cash outflows	<u>186,119,877.45</u>	<u>133,501,874.50</u>
Net cash inflows/(outflows) from financing activities	<u>1,513,454.18</u>	<u>(8,501,874.50)</u>
IV. Net (decrease)/increase in cash and cash equivalents	(14,622,717.89)	4,312,165.34
Add: Cash and cash equivalents at the beginning of the period	<u>660,332,955.71</u>	<u>575,899,312.83</u>
V. Cash and cash equivalents at the end of the period	<u>645,710,237.82</u>	<u>580,211,478.17</u>

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

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The person in charge
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Lengxuelin

The head of the
accounting department

Consolidated Statements of Changes In Shareholders' Equity (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period							Non-controlling interests	Total shareholders' equity
	Attributable to shareholders of the Company						Total		
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings			
I. Balance at the end of previous year	799,847,800.00	18,800,491.50	(32,525,484.69)	19,891,553.86	212,973,127.89	1,052,303,964.69	2,071,291,453.25	1,078,821,636.70	3,150,113,089.95
II. Balance at the beginning of the year	799,847,800.00	18,800,491.50	(32,525,484.69)	19,891,553.86	212,973,127.89	1,052,303,964.69	2,071,291,453.25	1,078,821,636.70	3,150,113,089.95
III. Changes in equity during the period	-	1,513,715.60	(1,161,857.37)	4,664,373.14	-	(60,764,972.12)	(55,748,740.75)	(105,159,431.13)	(160,908,171.88)
1. Total comprehensive income	-	-	(1,161,857.37)	-	-	(60,764,972.12)	(61,926,829.49)	(63,860,549.84)	(125,787,739.33)
2. Shareholders' contribution and reduction	-	1,513,715.60	-	-	-	-	1,513,715.60	(22,937,282.04)	(21,423,566.44)
(1) Others	-	1,513,715.60	-	-	-	-	1,513,715.60	(22,937,282.04)	(21,423,566.44)
3. Appropriation of profits	-	-	-	-	-	-	-	(20,335,461.78)	(20,335,461.78)
(1) Distribution to shareholders	-	-	-	-	-	-	-	(20,335,461.78)	(20,335,461.78)
4. Special reserve	-	-	-	4,664,373.14	-	-	4,664,373.14	1,973,862.53	6,638,235.67
(1) Accrued	-	-	-	14,122,169.35	-	-	14,122,169.35	6,992,467.60	21,114,636.95
(2) Utilised	-	-	-	(9,457,796.21)	-	-	(9,457,796.21)	(5,018,605.07)	(14,476,401.28)
IV. Closing balance	799,847,800.00	20,314,207.10	(33,687,342.06)	24,555,927.00	212,973,127.89	991,538,992.57	2,015,542,712.50	973,662,205.57	2,989,204,918.07

Consolidated Statements of Changes In Shareholders' Equity (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the previous period								Total	
	Attributable to shareholders of the Company							Non-controlling interests		shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total			
I. Balance at the end of previous year	<u>799,847,800.00</u>	<u>18,800,491.50</u>	<u>(17,326,859.28)</u>	<u>23,523,945.80</u>	<u>203,389,142.12</u>	<u>1,291,081,241.71</u>	<u>2,319,315,761.85</u>	<u>1,167,606,028.05</u>	<u>3,486,921,789.90</u>	
II. Balance at the beginning of the year	<u>799,847,800.00</u>	<u>18,800,491.50</u>	<u>(17,326,859.28)</u>	<u>23,523,945.80</u>	<u>203,389,142.12</u>	<u>1,291,081,241.71</u>	<u>2,319,315,761.85</u>	<u>1,167,606,028.05</u>	<u>3,486,921,789.90</u>	
III. Changes in equity during the period	-	-	3,948,822.18	3,801,069.64	-	(111,440,445.24)	(103,690,553.42)	(22,396,468.54)	(126,087,021.96)	
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' contribution and reduction	-	-	-	-	-	-	-	44,326,160.13	44,326,160.13	
(1) Others	-	-	-	-	-	-	-	44,326,160.13	44,326,160.13	
3. Special reserve	-	-	-	3,801,069.64	-	-	3,801,069.64	1,975,708.78	5,776,778.02	
(1) Accrued	-	-	-	19,709,145.57	-	-	19,709,145.57	9,829,516.38	29,538,661.95	
(2) Utilised	-	-	-	(15,908,075.93)	-	-	(15,908,075.93)	(7,853,808.00)	(23,761,883.93)	
IV. Closing balance	<u>799,847,800.00</u>	<u>18,800,491.50</u>	<u>(13,378,037.10)</u>	<u>27,325,015.44</u>	<u>203,389,142.12</u>	<u>1,179,640,796.47</u>	<u>2,215,625,208.43</u>	<u>1,145,209,559.51</u>	<u>3,360,834,767.94</u>	

The accompanying notes to the interim financial statements form an integral part of the interim financial statements.

Tangyinghai

Company representative

Huangwenban

The person in charge
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Lengxuelin

The head of the
accounting department



Company Statements of Changes In Shareholders' Equity (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the period					Total equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of previous year	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>213,520,367.52</u>	<u>311,583,839.14</u>	<u>1,453,465,596.89</u>
II. Balance at the beginning of the year	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>213,520,367.52</u>	<u>311,583,839.14</u>	<u>1,453,465,596.89</u>
III. Changes in equity during the period	-	-	-	-	37,309,292.04	37,309,292.04
1. Total comprehensive income	-	-	-	-	37,309,292.04	37,309,292.04
2. Special reserve	-	-	-	-	-	-
(1) Accrued	-	-	86,756.55	-	-	86,756.55
(2) Utilised	-	-	(86,756.55)	-	-	(86,756.55)
IV. Closing balance	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>213,520,367.52</u>	<u>348,893,131.18</u>	<u>1,490,774,888.93</u>

Company Statements of Changes In Shareholders' Equity (Unaudited)

For the six months ended 30 June 2021

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

	Amount for the previous period					Total equity
	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of previous year	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>203,936,381.75</u>	<u>225,327,967.19</u>	<u>1,357,625,739.17</u>
II. Balance at the beginning of the year	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>203,936,381.75</u>	<u>225,327,967.19</u>	<u>1,357,625,739.17</u>
III. Changes in equity during the period	-	-	-	-	(8,782,577.30)	(8,782,577.30)
1. Total comprehensive income	-	-	-	-	(8,782,577.30)	(8,782,577.30)
2. Special reserve	-	-	-	-	-	-
(1) Accrued	-	-	42,160.00	-	-	42,160.00
(2) Utilised	-	-	(42,160.00)	-	-	(42,160.00)
IV. Closing balance	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>203,936,381.75</u>	<u>216,545,389.89</u>	<u>1,348,843,161.87</u>

The accompanying notes to the interim financial statement form an integral part of the interim financial statement.

Tangyinghai

Company representative

Huangwenban

The person in charge
of accounting affairs

Lengxuelin

The head of the
accounting department

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

I. COMPANY PROFILE

1 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

I. COMPANY PROFILE (*CONTINUED*)

1 Company Status (*continued*)

The Company and its subsidiaries (the “Group”) is a comprehensive transportation service group in Guangdong Province. The principal business of the Group mainly include expressway service zones operation services, road passenger transportation and auxiliary services etc. 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.

The interim financial statement was approved by the Board of Directors of the Company on 19 August 2021.

2 Scope of the consolidated financial statements

For the details of the scope and changes of the consolidated financial statements during the current period, please refer to Note VI. Change in Scope of Consolidation.

For the details of subsidiaries of the Company, please refer to Note”VII. Interests in Other Entities.

II. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The interim financial statements of the Group has been prepared in accordance with the requirements of Accounting Standard for Business Enterprises – Basic Standards and its relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements. The interim financial statements also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 statements have been simplified as appropriate compared with the notes to the annual financial statements.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

II. BASIS OF PREPARATION OF INTERIM FINANCIAL STATEMENTS (CONTINUED)

2 Going concern

The interim financial statements are prepared on a going concern basis.

As at 30 June 2021, the Group's current liabilities exceeded its current assets by RMB539,664,500.12. As of 30 June 2021, the Group has unutilised consolidated credit facility of RMB4,187,869,278.81 granted by financial institutions, and the Group is expected to have sufficient financial support to repay the debts in the next 12 months, so the interim financial statements are still prepared on the basis of going concern.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group's accounting policies for the recognition and measurement of allowance for expected credit loss for accounts 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 determined according to the specific characteristics of the Group's operations. Please refer to the relevant notes to the accounting policies.

1 Statement of compliance

The Group's interim financial statement complies with the requirements of the Accounting Standard for Business Enterprises issued by the Ministry of Finance ("MOF"), and truly and completely reflect the consolidated financial position and financial position of the Company as at 30 June 2021, and the consolidated operating results and operating results of the Company, and the consolidated cash flows and cash flows of the Company for the period then ended.

2 Accounting period

The accounting year of the Group is from 1 January to 31 December in a calendar year. The interim financial statement is from 1 January to 30 June.

3 Operating cycle

The Group's operating cycle is 12 months.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. 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 III. 9. Foreign Currency Translations and Translation of Financial Statements denominated in Foreign Currencies”.

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

Business combinations involving entities under common control: The assets and liabilities acquired by the acquirer through business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control: The cost of combination is the fair value of assets paid, liabilities incurred or committed and issued shares by the acquirer to obtain control. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognise such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to current profit or loss. The identifiable assets acquired from the acquiree in a business combination that meet the recognition criteria, liabilities and contingent liabilities are measured at the fair value at the acquisition date.

The direct relevant expenses incurred for the business combinations are recognised as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities or debt securities issued for business combination shall be recognised as the initial recognition amount of equity securities or debt securities.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

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

6 Preparation of consolidated financial statements

(1) Scope of consolidation

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 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.

(2) Consolidation procedures

The Company regards the entire enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial position, operating results and cash flow of the Group. The impact of internal transactions between the Company and its subsidiaries or between subsidiaries shall be offset. If internal transactions indicate that the relevant assets have suffered impairment losses, this part of losses shall be confirmed in full. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policies and accounting periods of the Company.

The shareholders' equity, net profit or loss and other comprehensive income of subsidiaries for the period attributable to non-controlling shareholders are respectively and separately presented under the shareholders' equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the loss for the period shared by a non-controlling shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the non-controlling shareholder in the shareholders' equity of the subsidiary at the beginning of the period, non-controlling interest will be written down accordingly.

(a) Increase of subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the operating results and cash flows of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated financial statements; the beginning amount of the consolidated financial statements and relevant items in the comparative statements are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6 Preparation of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

(a) Increase of subsidiaries or business (continued)

Where control can be exercised on the investee under the common control for additional investment or other reasons, equity investments held before the control over the combined party is obtained, the related profits or losses, other comprehensive income as well as other changes in net assets recognised from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the opening retained earnings or the current profit or loss during the period for comparing financial statements.

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, all identifiable assets, liabilities and contingent liabilities will be included in the consolidated financial statements from the acquisition date based on their fair value determined on the acquisition date.

Where the Company can control the investee not under common control for additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference between the fair value and book value in the current investment income. Where equity of the acquiree held before the acquisition date involves in other comprehensive income that can be reclassified into profit or loss and other changes in shareholders' equity accounted for under the equity method shall be transferred to the investment income in the year which the acquisition date falls in.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6 Preparation of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

(b) Disposal of subsidiaries

① General treatment methods

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal should be re-measured by the Company at the fair value thereof on the date of losing the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date shall be included in the investment income of the period at the loss of control. Other comprehensive income that will be reclassified into profit or loss later associated with the equity investments of the original subsidiary, or the changes in other shareholders' equity calculated under the equity method, shall be transferred into investment income of the current period when control is lost.

② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equity investments in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the disposal of equity investments in subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions will be treated a package deal:

- i. The transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on that of other transaction or more; and
- iv. A single transaction is uneconomical but it is economical when considered together with other transactions.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6 Preparation of consolidated financial statements (continued)

(2) Consolidation procedures (continued)

(b) Disposal of subsidiaries (continued)

② Disposal of subsidiaries by stages (continued)

Where various transactions belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognised as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

(c) Purchase of non-controlling interests in a subsidiary

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. If the share premium is insufficient to offset, retained earnings will be adjusted.

(d) Partial disposal of equity investments in subsidiaries without losing control

The share premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the share premium of capital reserves is insufficient, the retained earnings will be adjusted.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7 Classification of joint arrangements and accounting treatment

Joint arrangements can be classified into joint operations and joint ventures.

When the Group is a party to a joint arrangement and has rights to the assets, and obligations for the liabilities, relating to such arrangement, the joint arrangement is classified as a joint operation.

The Group recognises the following items in relation to its share of benefits in joint operations:

- the assets held solely by the Group and those jointly held on a pro-rata basis;
- the liabilities assumed solely by the Group and those jointly assumed on a pro-rata basis;
- the income generated from the sale of the products of the joint operation attributable to the Group;
- the income generated by the joint operation from the sale of products on a pro-rata basis;
- the expenses incurred solely by the Group and those incurred by the joint operation on a pro-rata basis.

The investment in joint ventures of the Group are accounted for under the equity method. For the details on investment in joint ventures, please refer to Note III. 13. Long-term equity investments”.

8 Cash and cash equivalents

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange difference are recognised in profit or loss for the current period, except for those differences related to a specific-purpose borrowing denominated in foreign currency for acquisitions and construction of the qualified assets, which should be capitalised as cost of the borrowings.

(2) Translation of financial statements denominated in foreign currency

The assets and liabilities in the balance sheets are translated at the spot exchange rate on the balance sheet date. Except for "Retained earnings", all items under owner's equity are translated at the spot exchange rates when incurred. The income and expenses items in the income statement are translated at the spot exchange rates on the transaction dates.

On disposal of a foreign operation, the translation difference of the financial statements in foreign currency relating to that foreign operation is transferred from shareholders' equity to profit or loss of the period during which the disposal occurs.

10 Financial instruments

The Group recognises a financial asset, a financial liability or equity instrument when it becomes a party to the financial instrument contract.

(1) Classification of financial instruments

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(1) Classification of financial instruments (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- 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 fair value through other comprehensive income (debt instruments) if it meets both of the following conditions and is not designated at fair value through profit or loss:

- 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.

At 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 designation is made on an investment-by-investment basis, and the related investment meets the definition of an equity instrument from the issuer's perspective.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

At initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(2) Recognition basis and measurement method of financial instruments

(a) Financial assets at amortised cost

Financial assets measured at amortised cost include notes receivable and accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognised amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contract transaction price.

During the holding period, the interest calculated with the effective interest method should be included in the current profit or loss.

At recovery or disposal, the difference between the purchase price obtained and the book value of such financial assets is included in the current profit or loss.

(b) Financial assets (debt instruments) at fair value through other comprehensive income

Financial assets (debt instruments) measured at fair value through other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognised amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for the interest calculated by the effective interest method, impairment losses or reversal, and exchange gains or losses.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the current period profit or loss.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(2) Recognition basis and measurement method of financial instruments (continued)

(c) Financial assets (equity instruments) at fair value through other comprehensive income

Financial assets (equity instruments) measured at fair value through other comprehensive income, including the investment in other equity instruments, are initially measured at fair value, and relevant transaction costs are included in the initially recognised amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in other comprehensive income. The dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred from the other comprehensive income to the retained earnings.

(d) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

(e) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

At derecognition, the difference between the book value and the consideration paid of such financial liabilities is included in the current profit or loss.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(2) Recognition basis and measurement method of financial instruments (continued)

(f) Financial liabilities measured at amortised cost

Financial liabilities measured at the amortised cost include short-term borrowings, bills payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognised amount.

During the holding period, the interest calculated by the effective interest method is included in the current profit or loss.

At derecognition, the difference between the consideration paid and the book value of such financial liabilities is included in the current period profit or loss.

(g) 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.

(3) Derecognition and transfer of financial assets

Where one of the following conditions is met, the Group shall derecognise financial assets:

- The contractual right of collecting cash flows of financial assets is terminated;
- The financial assets have been transferred, and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
- The financial assets have been transferred, and the Group does not retain the control over the financial assets through it has neither transferred nor retained nearly all risks and rewards related to the ownership of the financial assets.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(3) Derecognition and transfer of financial assets (continued)

At the transfer of financial assets, where nearly all of the risks and rewards related to the ownership of the financial assets have been retained, such financial assets shall not be derecognised.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

The Group divides the transfer of financial assets into entire transfer and partial transfer. Where the entire transfer of financial assets meets the derecognition conditions, the difference of the following two amounts is included in the current period profit or loss:

- (a) The book value of the transferred financial asset;
- (b) The sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in shareholders' equity (the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the partial transfer of a financial asset meets the derecognition criteria, the entire book value of the financial asset transferred shall be allocated between the derecognised part and the recognised part based on the relative fair value, and the difference between the following two amounts shall be included in the current profit or loss:

- (a) The book value of derecognised part;
- (b) The sum of the consideration for the derecognised part and the amount corresponding to the de-recognition part in the accumulated change amount of fair value originally and directly included in shareholders' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognised, and the consideration received shall be recognised as a financial liability.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(4) Derecognition of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liabilities or any part thereof shall be derecognised; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognised, and at the same time, the new financial liabilities shall be recognised.

Where substantive changes are made to the contract terms of existing financial liabilities in whole or in part, the existing financial liabilities shall be derecognised in whole or in part, and the financial liabilities of which terms have been modified shall be recognised as the new financial liabilities.

Where financial liabilities are derecognised in whole or in part, the difference between the book value of the financial liabilities derecognised and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in current period profit or loss.

Where the Group redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognised and the derecognised part. The difference between the book value allocated to the derecognised part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current period profit or loss.

(5) Determination of fair value of financial assets and financial liabilities

Unless otherwise stated, the Group measures the fair value of financial assets and liabilities based on following principal:

Fair value refers to the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date.

When estimating the fair value, the Group considers the characteristics (including asset status and location, restrictions on the sale or use of assets, etc.) that market participants consider when pricing the relevant assets or liabilities on the measurement date, and adopts valuation techniques that are applicable to the current circumstance and is supported by sufficient available data and other information. The valuation techniques used mainly include market approach, income approach and cost approach.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(6) Accounting treatment for impairment testing of financial assets

The Group recognise 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 fair value through profit or loss, equity securities designated at fair value through other comprehensive income and derivative financial assets, are not subject to the ECL assessment.

(a) Measurement of ECLs

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

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

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

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

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(6) Accounting treatment for impairment testing of financial assets (continued)

(a) Measurement of ECLs (continued)

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.

(b) 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.

(c) 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(6) Accounting treatment for impairment testing of financial assets (continued)

(c) Significant increases in credit risk (continued)

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.

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

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(6) Accounting treatment for impairment testing of financial assets (continued)

(d) 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.

(e) 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 Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Financial instruments (continued)

(6) Accounting treatment for impairment testing of financial assets (continued)

(f) 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 Group 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11 Inventories (continued)

(2) Cost of inventories transferred out

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

(3) Basis for determining the net realisable value

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 values of merchandise inventories held directly for sale, such as finished goods, stock commodities, and available-for-sale materials, are measured at the estimated selling prices less estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realisable values of material inventories which need further processing are measured at the estimated selling prices less the estimated costs of completion, estimated sales expenses and relevant taxes and surcharges in the normal production process. Net realisable values of inventories held for the purpose of fulfillment of sales contracts or service contracts are calculated on the basis of the contract prices; if the quantity of inventories held exceeds that stated in the contract, the net realisable values of the excessive part are calculated on the basis of normal selling prices.

When the provision for inventory impairment is made, where the previous factor rendering the write-down of the inventory value has been eliminated, for which the net realisable value of the inventory is higher than the book value of the same, the provision for inventory impairment shall be reversed from the amount of provision for inventory impairment originally made, and the reversed amount shall be included in the current profit or loss.

(4) Inventory system

The Group maintains a perpetual inventory system.

(5) Amortisation of low-value consumables and packaging materials

- (a) Low-value consumables are amortised using one-off write-off method.
- (b) Packaging materials are amortised using one-off write-off method.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12 Contract assets

(1) Recognition and standard of contract assets

The Group presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The consideration that the Group has the right (and this right depends on factors other than passage of time) to receive for goods transferred to customers is listed as contract assets. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The Group has the right (only depends on the passage of time) to receive the consideration for goods to customers is listed as trade receivables individually.

(2) Method of determination of expected credit loss of contract assets and accounting treatment

For the method of determination of expected credit loss of contract assets and accounting treatment methods, please refer to the Note III. 10 (6) "Accounting treatment for impairment testing of financial assets".

13 Long-term equity investments

(1) Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. If the Group together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, the investee is joint venture of the Group.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Group can exercise significant Influence over an investee, the investee is an associate of the Group.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13 Long-term equity investments (continued)

(2) Determination of initial investment cost

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

For business combinations involving entities under common control, the initial investment cost of long-term equity investments are its share of the book value of the shareholders' equity of the acquiree in the financial statements of the ultimate controlling party on the date of combinations. The difference between initial investment cost of long-term equity investment and the carrying value of consideration paid is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of the carrying amount of the net assets of the combined party in the consolidated financial statement of the ultimate controlling party after the combination. The difference between initial investment cost of long-term equity investment the date of combination and the sum of the carrying value of long-term equity investment before combination and the carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Business combinations involving entities not under common control: the cost of the combination determined on the date of acquisition shall be taken as the initial investment cost of the long-term equity investment. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

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

The initial investment cost of a long-term equity investment obtained by the Group by cash payment shall be the purchase cost which is actually paid.

The initial investment cost of a long-term equity investment obtained by the Group by means of issuance of equity securities shall be the fair value of the equity securities issued.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13 Long-term equity investments (continued)

(3) Subsequent measurement and recognition of profit or loss

(a) Long-term equity investments accounted for under cost method

Long-term equity investments of the Company in its subsidiaries are accounted for under cost method unless such investments meet the conditions of holding for sale. Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognises the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income.

(b) Long-term equity investments accounted for under equity method

Long-term equity investments in associates and joint ventures are accounted for under 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.

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 shareholders' equity of the investee other than those arising from net profits or losses and other comprehensive income and distributions to shareholders ("other changes in shareholders' equity"), and recognises the corresponding adjustment in shareholders' equity.

In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13 Long-term equity investments (continued)

(3) Subsequent measurement and recognition of profit or loss (continued)

(b) Long-term equity investments accounted for under equity method (continued)

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, except for the invested or disposed of assets constituted a business. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(c) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current investment income.

For long-term equity investments with partial disposal accounting by the equity method, where the remaining equity is still accounted for by the equity method, other comprehensive income recognised originally upon the accounting by the equity method shall be carried forward at the corresponding proportion on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be carried forward to the current profit or loss in proportion.

Where the Group loses the common control over or significant influence on the investee on account of the disposal of equity investment and any other reason, when the accounting by the equity method is terminated, other comprehensive income recognised upon the accounting by the equity method from the original equity investment shall be subject to the accounting treatment which is made on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity shall be transferred to the current profit or loss in full.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

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

13 Long-term equity investments *(continued)*

(3) Subsequent measurement and recognition of profit or loss (continued)

(c) Disposal of long-term equity investments (continued)

Where the Group loses the control over the investee on account of the disposal of partial equity and any other reason, at the preparation of any single financial statements, if the remaining equity has the common control over or significant influence on the investee, the accounting shall be made by the equity method, and an adjustment shall be made as if the remaining equity was accounted for by the equity method at acquisition; other comprehensive income recognised before the control over the investee is obtained shall be carried forward on the basis same with that for the direct disposal of relevant assets or liabilities by the investee, and other changes in shareholders' equity recognised on account of the accounting by the equity method shall be carried forward to the current profit or loss in proportion; if the remaining equity has no common control over or significant influence on the investee, relevant financial assets shall be recognised, the difference between the fair value on the day of losing control of such remaining equity and the book value of the same shall be included in the current profit or loss, and other comprehensive income and other changes in shareholders' equity which have been recognised before the control over the investee is obtained shall be carried forward in full.

Where the disposal of subsidiaries' equity investments till the loss of control by stages through multiple transactions belongs to a package deal, the accounting treatment shall be made by taking each transaction as the transaction where the subsidiaries' equity investments are disposed and the corresponding control is lost; before the loss of control, the difference between the disposal price and the book value of the long-term equity investment corresponding to the equity disposed shall be firstly recognised as other comprehensive income in the individual financial statements, and at the loss of control, all transferred to the profit or loss for the period when the control is lost. Where the aforesaid disposal does not belong to a package deal, the accounting treatment shall be made respectively for each transaction.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14 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 (including after the completion of self-construction or development activities and buildings under development for future rental purpose).

Subsequently expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Investment properties are accounted for using the cost model. The Group adopts a depreciation or amortisation policy for the investment properties which is consistent with that for buildings or land use rights.

For the impairment of the investment properties, please refer to Note III. 21. Impairment of long-term assets.

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.

15 Fixed assets

(1) Recognition and initial measurement 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:

- (a) It is probable that economic benefits associated with the assets will flow into the Group; and
- (b) The costs of the asset can be measured reliably.

The fixed assets are initially measured at cost (and by taking the impact of expected disposal costs).

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 Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15 Fixed assets (continued)

(2) Depreciation method

Depreciation of the fixed assets is made on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where various components of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, then the Group should choose different depreciation rates or methods to separately provide for depreciation.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are presented by categories as follows:

Category	Useful lives (years)	Residual value rate (%)	Annual depreciation rate (%)
Building and structures	10–60	0–5	1.58–10.00
Building improvements	3–5	0	20.00–33.33
Transportation vehicles	3–8	0–5	11.88–33.33
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) 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 Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16 Construction in progress

Construction in progress is measured at its actual costs. The actual costs include construction costs, various installation cost, borrowing costs capitalized which fulfill the capitalization criteria and other expenditures incurred before it is ready for intended use. Construction in progress is transferred to a fixed asset when it is ready for its intended use and the relevant fixed asset is depreciated starting from the following month after the transfer.

17 Borrowing costs

(1) Recognition criteria of capitalisation of borrowing costs

The borrowing costs incurred to the Group and directly attributable to the acquisition and construction or production of assets eligible for capitalisation should be capitalised and recorded into relevant asset costs; other borrowing costs should be recognised as costs according to the amount incurred and be included into the current profit or loss.

Assets eligible for capitalisation refer to fixed assets, investment properties, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

(2) Capitalisation period for borrowing costs

Capitalisation period refers to the period from the beginning of capitalisation to the cease of capitalisation, excluding the period of capitalisation suspension of borrowing costs.

Capitalisation shall start when the following conditions are satisfied simultaneously:

- (a) Asset expenditures, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalisation, have already been incurred;
- (b) Borrowing costs have already been incurred;
- (c) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

Capitalisation of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalisation have reached their intended use or sale status.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

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

17 Borrowing costs *(continued)*

(3) Capitalisation suspension period

If the acquisition, construction or production activities of assets eligible for capitalisation are abnormally interrupted and such interruption lasts for more than 3 months, the capitalisation of borrowing costs should be suspended; if the interruption is necessary for the acquired, constructed or produced assets eligible for capitalisation to reach the working condition for their intended use or sale, the borrowing costs will continue to be capitalised. Borrowing costs incurred during the interruption are recognised as the current profit or loss and the borrowing cost shall continue to be capitalised until the acquisition, construction or production of the assets restarts.

(4) Measurement method of capitalisation rate and capitalised amounts of borrowing costs

For specific borrowings for acquiring, constructing or producing assets eligible for capitalisation, borrowing costs actually incurred during the period for specific borrowings less the interest income from the unused borrowings deposited in the bank or investment income from temporary investment with the unused borrowings should be recognised as the capitalisation amount of borrowing costs.

For general borrowings used for acquiring and constructing or producing assets eligible for capitalisation, the amount of general borrowings to be capitalised should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalisation rate for the used general borrowings. The capitalisation rate is determined based on the weighted and average effective interest rate for general borrowings.

During the period for capitalisation, the exchange differences arising from translation of the principal and interest of the specific borrowings denominated in foreign currency should be capitalised, and included in the cost of assets eligible for capitalisation. The exchange differences arising from translation of the principal and interest of borrowings denominated in foreign currency other than the specific borrowings denominated in foreign currency should be included in the current profit or loss.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18 Intangible assets

(1) Recognition and measurement of intangible assets

Intangible assets are initially measured at cost, except for the toll bridge franchise operating rights are determined based on the price invested by the shareholders. 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. The Group regards intangible assets with unforeseeable future economic benefits as intangible asset with an indefinite useful life, and such intangible asset 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.

(2) Estimate of useful lives for intangible assets with definite useful lives

Category	Amortisation period (years)
Land use rights	20–70/Indefinite
Joint operating earning rights	10
Software	5–10
Passenger service licenses	Indefinite
Station franchise operating rights	38
Toll bridge franchise operating rights	28
Trade mark rights	10
Route license use rights	3–20
Others	2–16.25

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18 Intangible assets (continued)

(2) Estimate of useful lives for intangible assets with definite useful lives (continued)

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.

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

The toll bridge franchise operating rights held by the Group is Tai Ping Interchange franchise operating right which was injected by a shareholder and was granted to the shareholder by government authority previously. The Group is entitled to the right to charge toll fees to users of relevant public services, however, the right does not constitute an unconditional right to receive cash and the toll fee amounts to be received are not guaranteed. Therefore, the Group recognises the concession right as intangible asset and amortises it over the concession period of 28 years using straight-line method.

(3) Determination basis of intangible assets with indefinite useful lives and procedures for reviewing the useful life thereof

As at the balance sheet date, the Group reassesses the useful lives for intangible assets with indefinite useful lives.

(4) Specific criteria for classifying research and development phases

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.

Research phase: Research phase is the stage when creative and planned investigation and research activities are conducted to acquire and understand new scientific or technological knowledge.

Development phase: Development phase is the phase when the research achievements and other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18 Intangible assets (continued)

(5) Criteria for capitalisation of development expenditures

The research expenditure is included in the current profit or loss when it incurred. The development expenditure is recognised as intangible assets when it meets the following conditions at the same time, and is included in the current profit or loss when it fails to meet the following conditions:

- (a) The product or process is technically and commercially feasible;
- (b) The Group has sufficient resources and intention to complete the development work;
- (c) The expenditure attributable to the intangible assets during its development phase can be measured reliably.

If the research expenditure and development expenditure are indistinguishable, all research and development expenditures incurred will be included in the current profit or loss.

19 Goodwill

The initial cost of Goodwill arising on a business combination not under common control, is the difference between the combination cost and the fair value share of the acquiree's identifiable net assets obtained in the combination.

Goodwill is transferred out when its related asset group or portfolio of asset group is disposed, and recognised in the profit and loss.

The Group does not amortise goodwill, regardless of whether there are indication of impairment, goodwill is tested for impairment at least annually at the end of each year.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20 Long-term deferred expenses

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

Long-term deferred expenses are amortised 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

21 Impairment of long-term assets

Impairment of long-term assets, such as long-term equity investment, investment properties measured using a cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful life, long-term deferred expenses and other non-current assets, are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21 Impairment of long-term assets (continued)

Goodwill through business combination shall be subject to impairment test at each year end, irrespective of whether there is any indication of impairment.

When the Group performs impairment test on goodwill, the Group shall, as of the purchase day, allocate on a reasonable basis the carrying value of the goodwill through business combination to the relevant asset group, or if there is a difficulty in allocation, to allocate it to the set of asset groups. When the Group allocates the carrying value of goodwill, the allocation shall be made based on the relative benefits gained from the synergy of business combination by relevant asset group or set of asset groups, based on which impairment tests for goodwill shall be carried out.

For the purpose of impairment test on the relevant asset group or the set of asset groups containing goodwill, if any evidence shows that the impairment of asset group or set of asset groups related to goodwill is possible, an impairment test will be made firstly on the asset group or set of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognise the corresponding impairment loss. Then the Group will perform an impairment test on the asset group or set of asset groups containing goodwill, and compare the carrying value of the asset group or set of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets group or set of the asset groups is lower than the carrying value thereof, it shall recognise the impairment loss. The amount of the impairment loss shall first charge against the carrying value of any goodwill allocated to the asset group or set of asset groups, then charge it against the carrying value of other assets in proportion to the weight of other assets in the asset group or set of asset groups with goodwill excluded.

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

22 Contract liabilities

The Group has presented contract assets or contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers. A contract liability represents the obligation to transfer goods or services to a customer for which the Group has received a consideration or an amount of consideration that is due from the customer. A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23 Employee benefits

(1) Accounting treatment on short-term employee benefits

In the accounting period in which employees provide service for the Group, short-term benefits actually incurred are recognized as liabilities and charged to profit or loss or cost of relevant assets.

With regard to contributions to social insurance schemes and housing funds and provision for labour union expenses and employee education expenses as required by regulations, the Group should calculate and recognize the corresponding employee benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements in the accounting period in which employees provide service.

Welfare expenses incurred by the Group in profit or loss when incurred or costs related assets based on actual amount. Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

(2) Accounting treatment on post-employment benefits

(a) Defined contribution plans

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

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23 Employee benefits (continued)

(2) Accounting treatment on post-employment benefits (continued)

(b) Defined benefit plans

The qualified retired employees and early retired employees (until formal retirement) 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.

(3) Accounting treatment on termination benefits

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

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

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24 Provision

A provision is recognised for an obligation related to a contingency if:

- (1) the Group has a present obligation;
- (2) it is probable that an outflow of economic benefits of the Group will be required to settle the obligation;
- (3) the amount of obligation can be estimated reliably.

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.

The Group reviews the carrying amount of provision on the balance sheet date. If there is unambiguous evidence indicating that the carrying amount cannot reflect the current best estimate, such carrying amount will be adjusted based on the current best estimate.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25 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.

(1) Accounting policies on revenue recognition and measurement

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. Control over relevant goods or services refers to the ability to direct the use of the goods or services to obtain almost all of the economic benefits from the goods or services.

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 and amounts expected to be returned to the customers. The Group determines the transaction price in accordance with the terms of the contract and together with its past customary practices. The Group considers the impact of variable consideration, significant financing components in the contract, non-cash consideration, consideration payable to customers and other factors. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25 Revenue (continued)

(1) Accounting policies on revenue recognition and measurement (continued)

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;
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation, except that the progress cannot be measured reasonably. The Group considers the nature of the goods or services to determine whether input method or output method shall be adopted to measure the progress towards complete satisfaction of the performance obligation. When the progress of the 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, that is the customer has an obligation for a payment of goods or services;
- the Group has transferred the legal title of the goods to the customer, that is the customer has legal ownership of the goods;
- the Group has transferred physical possession of the goods to the customer, that is the customer has physical possession of the goods;
- the Group has transferred the significant risks and rewards of ownership of the goods to the customer, that is the customer bears the risks and rewards of the ownership of the goods; and
- the customer has accepted the goods or services.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25 Revenue (continued)

(1) Accounting policies on revenue recognition and measurement (continued)

The Group assesses whether it is a principal or an agent to a transaction according to whether the Group controls the goods or services before they are transferred to the customers. When the Group is able to control the goods or services before they are transferred to the customers, the Group is considered a principal and recognises the gross amount of the consideration received or receivable as revenue; Otherwise, the Group is considered an agent that revenue shall be recognised according to the amount of the commission or handling charge the Group expects to have the right to receive. Such received or receivable amount represents the net amount of the gross consideration after deducting the considerations payable to other parties in the transaction, or the pre-determined commission amount or an amount calculated based on a pre-determined percentage.

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

(a) 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.

(b) 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25 Revenue (continued)

(2) The following is the description of accounting policies regarding revenue from the Group's principal activities (continued)

(c) 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.

(d) 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).

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26 Government grants

(1) Classification

Government grants are non-reciprocal transfers of monetary or non-monetary assets which are classified as related to an asset or related to income.

Government grants related to an asset refer to government grants for acquiring, construction or other means to form a long-term asset. Government grants related to income refers to government grants other than those related to an asset.

(2) Point of recognition

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.

(3) Accounting treatment

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

A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income, non-operating income, or offset against related expenses in the periods in which the expenses or losses are recognised. Otherwise, the grant is recognised as other income, non- operating income, or offset against related expenses directly.

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27 Deferred tax assets and liabilities

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

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

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.

Under normal circumstances, deferred tax is recognised for all temporary differences. 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 Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27 Deferred tax assets and liabilities (continued)

Taxable temporary differences arising on investments in subsidiaries, associates and joint ventures are recognised as deferred tax liabilities unless the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences arising on investments in subsidiaries, associates and joint ventures are recognised as deferred assets when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

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.

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 it intends either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, current tax assets and liabilities are offset and presented on a net basis.

At the balance sheet date, deferred tax assets and liabilities can be offset and presented on a net basis if the following conditions are met:

- Taxpayers 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28 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 specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, 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 III. 25 Revenue.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28 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.

The right-of-use asset is depreciated using the straight-line method. 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 III. 21 Impairment of long-term assets.

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, and 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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

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

28 Leases *(continued)*

(1) The Group as a lessee (continued)

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 whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

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.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28 Leases (continued)

(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 derecognises 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.

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29 Special reserve

The Group provided for safety expense according to the relevant regulations of the “Notice on Printing and Distributing the “Administrative Measures for the Provision and Utilisation of Safety production expenses” (Caiqi [2012] No. 16), issued by the MOF and the State Administration of Work Safety.

Provisions for safety production expenses are included in the cost of related products or profit or loss of the current period and included in the “special reserve” account correspondingly.

When the provisions are utilised within the prescribed scope, if the expenditures are revenue in nature, those expenditures are offset directly against the special reserve; if the fixed assets are formed, the expenditures will be accumulated in “construction in progress” and transferred to fixed assets when the relevant safety project is completed and ready for its intended use. At the same time, the special reserve is reduced according to the cost of the fixed asset formed and the accumulated depreciation of the same amount is provided. The fixed asset will no longer be depreciated in future periods.

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. The Group determines the reporting segment based on the operating segment and considering the principle of materiality.

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 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 Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32 Related parties

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

33 Significant changes in accounting judgements and estimates

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.

Except for Note III. 14, 15, 18, 20, 26 and 28 which 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, recognition of government subsidies and right-of-use assets and Note V. 1, 2, 4, 5 and 6 which contain information about the accounting estimates relating to provisions for impairment of various types of assets, other significant accounting estimate is as follows:

Note III. 23 Employee benefits – defined benefit plans

34 Significant changes in accounting policies and accounting estimates

(1) Major changes in accounting policies

- (a) Implementation of “The Notice on Adjusting the Application Scope of the Regulations on Accounting Treatment for COVID-19-Related Rent Concessions”

On 26 May 2021, the MOF issued the “Notice on Adjusting the Application Scope of the Regulations on Accounting Treatment for COVID-19-Related Rent Concessions” (Caikuai [2021] No. 9), which will be implemented on 26 May 2021. The notice adjusted the application scope of simplified approach for the COVID-19-Related Rental Concessions under the “Regulations on Accounting Treatment for COVID-19-Related Rent Concessions” from “Concessions only for lease payments payable before 30 June 2021” to “Concessions only for lease payments payable before 30 June 2022”. Other applicable conditions remain unchanged.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34 Significant changes in accounting policies and accounting estimates (continued)

(1) Major changes in accounting policies (continued)

- (a) Implementation of “The Notice on Adjusting the Application Scope of the Regulations on Accounting Treatment for COVID-19-Related Rent Concessions” (continued)

The Group is listed overseas and adopts the Accounting Standards for Business Enterprises to prepare financial statements. As a lessor, the simplified approach is not applicable; as a lessee, the Group chooses to apply the simplified approach for the COVID-19-related rent concessions and accounted for the rent concessions as a variable lease payment; when a concession agreement is reached and the original lease payment obligation is released, the rent concession is accounted for as a reduction of the cost of the relevant asset or expense using the undiscounted amount or the present value of the amount discounted using the pre-concession discount rate. The lease liabilities be also adjusted correspondingly.

(2) Significant changes in accounting estimates

- (a) Changes in accounting estimates

The Group has changed the depreciation period of new energy buses from 6-8 years to 8 years since 1 January 2021. The amortisation period of deferred income of the corresponding subsidies has also been adjusted accordingly.

Regarding such changes in accounting estimates, the Group has applied the prospective method to adjust the amounts of depreciation and amortisation.

- (b) Impact of changes in accounting estimates

The change in the depreciation period of new energy buses has resulted in decrease in depreciation expenses of fixed assets and amortisation of the deferred income of subsidiaries related to new energy buses for the period by RMB48,375,253.75 and RMB14,594,325.21 respectively.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

IV. TAXATION

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value added tax ("VAT")	Income from sale of goods (Note 4)	13%, 9%
VAT	Transportation income (Note 4, Note 5, Note 6)	9%, 3% or 1%, 0%, exempted
VAT	Income from prier cargo storage and rescue service (Note 5)	6%
VAT	Service income derived from highway facilities and other auxiliary facilities (Note 4)	9%, 6%, 5%
VAT	Income from construction contracts and toll (Note 6)	9%, 3% or 1%
City maintenance and construction tax	VAT paid (Note 4, Note 5)	7%, 5%
Education surcharge and local education surcharge	VAT paid (Note 4, Note 5)	3%, 2%
Cultural construction tax	Income from advertisements (Note 1)	3%
Land appreciation tax	Appreciation amount on property sold and applicable tax rate	40%, 60%
Enterprise income tax	Taxable profit (Note 2)	25%, 20%
Hong Kong Profits tax	Assessable profit (Note 3)	16.5%

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

IV. TAXATION (CONTINUED)

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

Taxpayers with different enterprise income tax rates are the disclosure as follows:

Name of the taxpayers	Income tax rate
Guangdong Gangtong Vehicles Transportation Company Limited	20%
Guangdong Province Transportation Engineering Company Limited	20%
Yangchun Langri Fuels Co., Ltd.	20%
Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd.	20%
Yangjiang City Xinyi Advertising Co., Ltd.	20%
Guangdong Yangjiang Vehicles Transportation Group Co., Ltd.	20%
Meizhou Vehicle Materials Supply Co., Ltd.	20%
Dapu Yueyun Motor Inspection Co., Ltd.	20%
Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd.	20%
Yangshan County Yueyun Motor Inspection Co., Ltd.	20%
Zhuhai Gongqi Taxi Co., Ltd.	20%
Yueyun Transportation (HK) Company Limited	16.5%
The Motor Transport Company of Guangdong and Hong Kong Limited	16.5%
Gang Tong (HK) Motor Transport Company Limited	16.5%
Guangdong Yue Li Jia Passenger Transport Company (Hong Kong)	16.5%

2 Tax incentives

Note 1: 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. According to "The Announcement of extension of tax relief policies related to the epidemic" (Announcement [2021] No.7) issued by MOF and National Tax Bureau, as the tax relief policies under Announcement [2021] No.7 has expired, the implementation period is extended under 31 December 2021.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

IV. TAXATION (CONTINUED)

2 Tax incentives (continued)

Note 2: Pursuant to Cai shui [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.

Pursuant to Cai shui [2021] No. 12, "The Announcement on the Implementation of Preferential Income Tax Policies for Small-scaled minimal profit enterprise and Individual Industrial and Commercial Households" issued by MOF and National Tax Bureau on 2 April 2021, for Small-scaled minimal profit enterprise with an annual taxable income amount below RMB1,000,000 (RMB1,000,000 included), on top of the tax relief policies stipulated under "The Announcement of implementation on inclusive tax relief policy of Small-scaled minimal profit enterprise" issued by MOF and National Tax Bureau" (Cai shui [2019] No. 13), the enterprise income tax will be further halved. That is, for Small-scaled minimal profit enterprise whose annual taxable income does not exceed RMB1,000,000, the taxable income is reduced by 12.5%, and the enterprise income tax is paid at the tax rate of 20%, from 1 January 2021 to 31 December 2022.

Certain subsidiaries of the Group meets the requirements of Small-scaled minimal profit enterprise and subject to enterprise income tax calculated at a tax rate of 20%. Please refer to Note "IV.1 Main types of taxes and corresponding tax rates for details". Furthermore, the statutory tax rate of the Group's other subsidiaries in Mainland China is 25% and the statutory tax rate was implement during the current period (Corresponding period in last year: 25%).

Note 3: 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 last year: 16.5%).

Pursuant to the Financial Budget Proposal announced by Hong Kong government on 24 February 2021, enterprises registered in Hong Kong are entitled to a one-off preferential tax treatment of 100% exemption of profit tax in 2021 with the maximum of HK\$10,000.

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.

According to Hong Kong tax regulations, the tax losses incurred by an enterprise in a tax year can be carried forward and used to offset against future taxable income of the enterprise in subsequent years.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

IV. TAXATION (CONTINUED)

2 Tax incentives (continued)

Note 4: 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 “Announcement on clarifying the policy for the deduction of value-added tax in the life service industry” (Announcement [2019] No.87) by MOF and National Tax Bureau, taxpayers of production and living services are entitled to additional 15% on the current period input VAT amount to deduct against the VAT payable amount. Taxpayers shall comply with additional deduction policies of other items set out in “The Announcement on deepening VAT reform” (Announcement [2019] No. 39 issued by MOF, National Tax Bureau and General Administration of Customs).

According to “The Announcement on further supporting self-employment and employment of retired soldiers” (Cai shui [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 5: 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, the tax loss carried forward can be extended from 5 years to 8 years for the enterprises affected by the epidemic seriously. 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 the continuation of the implementation of some preferential tax and fee policies in response to the epidemic” issued by MOF and National Tax Bureau (Announcement [2021] No.7), as the tax relief policies under Announcement [2020] No. 8 has expired, the implementation period is extended until 31 March 2021.

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 [2020] No.8 and shall be exempted from city maintenance and construction tax, education surcharge and local education surcharge since 10 February 2020.

Note 6: According to “The Announcement on supporting the VAT policy of individual industrial and commercial households to resume work and resume business” (Announcement [2020] no. 13) issued by MOF and National tax Bureau, from 1 March 2020 to 31 May 2020, except for Hubei Province, small-scale VAT taxpayers in other provinces, autonomous regions, and municipalities directly under the Central Government whose taxable sale income subject to 3% tax rate, VAT will be taxed at a reduced rate of 1%; for prepaid VAT items subject to 3% prepaid tax rate, VAT will be prepared at a reduced rate of 1%. According to “The Announcement on extending the implementation period of the VAT reduction and exemption policy for small-scale taxpayers” (Announcement [2020] no. 24) issued by MOF and National Tax Bureau, tax relief policies in the Announcement [2020] no. 13 is extended to 31 December 2021. According to “The Announcement on Extending the Implementation of Certain Tax Relief Policies in Response to the Epidemic” (Announcement [2021] No. 7 by the MOF National Tax Bureau), the tax relief policies in the Announcement [2020] no. 13 is further extended to 31 December 2021. Among which, from 1 April 2021 to 31 December 2021, for small-scale taxpayers in Hubei Province whose taxable sale income subject to 3% tax rate, VAT will be taxed at a reduced rate of 1%; for prepaid VAT items subject to 3% prepaid tax rate, VAT will be prepared at a reduced rate of 1%.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the consolidated financial statement data disclosed below, unless otherwise stated, "Balance at the end of previous year" refers to the balance as at 31 December 2020; and "Closing balance" refers to the balance as at 30 June 2021. "Amount for the period" refers to the period from 1 January 2021 to 30 June 2021; and "Amount for the previous period" refers to the period from 1 January 2020 to 30 June 2020. The currency unit is RMB.

1 Accounts receivable

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

	Closing balance	Balance at the end of previous year
Ageing		
Within 1 year		
Including: Within 3 months (inclusive)	271,138,086.06	285,019,526.90
Over 3 months and within 6 months (inclusive)	33,507,077.84	39,969,433.48
Over 6 months and within 1 year (inclusive)	74,008,146.06	74,387,495.49
Subtotal of within 1 year	378,653,309.96	399,376,455.87
1-2 years (inclusive)	36,073,778.16	16,547,549.90
2-3 years (inclusive)	9,863,658.81	6,374,421.18
Over 3 years	35,286,617.50	34,621,893.09
Subtotal	459,877,364.43	456,920,320.04
Less: Provision for bad debts	(64,466,077.85)	(59,785,956.95)
Total	395,411,286.58	397,134,363.09

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

1 Accounts receivable (continued)

(2) Accounts receivable disclosed according to the method of provision for bad debts

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 expressway service zones operation, road passenger transportation and auxiliary services and constructions materials supply for the purpose of measuring ECLs.

	ECL rate	Closing balance		Balance at the end of previous year	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Expressway service zone operation					
Within 1 year (inclusive)	5%	62,232,205.05	(3,111,610.25)	95,502,951.50	(4,775,147.63)
1-2 years (inclusive)	10%	2,928,840.85	(292,884.09)	3,258,324.93	(325,832.53)
2-3 years (inclusive)	30%	2,246,290.12	(673,887.04)	1,331,993.48	(399,598.05)
Over 3 years	50%	172,104.38	(86,052.19)	284,132.64	(142,066.32)
Subtotal		<u>67,579,440.40</u>	<u>(4,164,433.57)</u>	<u>100,377,402.55</u>	<u>(5,642,644.53)</u>
Road transportation and auxiliary services					
Within 1 year (inclusive)	5%	269,794,209.89	(13,489,710.49)	221,057,042.18	(11,092,735.16)
1-2 years (inclusive)	35%	18,638,789.87	(6,523,576.45)	12,317,036.69	(4,310,962.87)
2-3 years (inclusive)	50%	7,320,380.42	(3,660,190.21)	5,042,427.70	(2,521,213.89)
Over 3 years	100%	11,934,408.25	(11,934,408.25)	11,157,655.58	(11,157,655.58)
Subtotal		<u>307,687,788.43</u>	<u>(35,607,885.40)</u>	<u>249,574,162.15</u>	<u>(29,082,567.50)</u>
Constructions materials supply					
Within 1 year (inclusive)	5%	46,626,895.02	(2,331,344.75)	82,816,462.19	(4,140,823.18)
1-2 years (inclusive)	10%	14,506,147.44	(1,450,614.74)	972,188.28	(97,218.85)
2-3 years (inclusive)	30%	296,988.27	(89,096.48)	-	-
Over 3 years	50%	4,714,803.93	(2,357,401.97)	4,714,803.93	(2,357,401.95)
Subtotal		<u>66,144,834.66</u>	<u>(6,228,457.94)</u>	<u>88,503,454.40</u>	<u>(6,595,443.98)</u>
Credit risk losses		441,412,063.49	(46,000,776.91)	438,455,019.10	(41,320,656.01)
Provision for bad debts made on individual basis		18,465,300.94	(18,465,300.94)	18,465,300.94	(18,465,300.94)
Total		<u>459,877,364.43</u>	<u>(64,466,077.85)</u>	<u>456,920,320.04</u>	<u>(59,785,956.95)</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

1 Accounts receivable (continued)

(2) Accounts receivable disclosed according to the method of provision for bad debts (continued)

Provision for bad debts made on individual basis:

Names	Closing balance			Reason for making provisions
	Carrying amount	Provision for bad debts	Appropriation Proportion (%)	
Shenzhen Hongbao Trading Co., Ltd	14,264,922.29	(14,264,922.29)	100.00	Debtor is in substantial financial difficulties
Guangzhou Jun Fat Trading Co., Ltd	2,914,775.00	(2,914,775.00)	100.00	Debtor is currently in the status of deregistration
Zuhai Yuexinyuan Trade Development Co., Ltd	1,285,603.65	(1,285,603.65)	100.00	Debtor breached the contract with overdue payment
Total	<u>18,465,300.94</u>	<u>(18,465,300.94)</u>		

(3) Provision for bad debts made, reversed or recovered for the period

	Closing balance	Balance at the end of previous year
Balance at the beginning of the period/year	(59,785,956.95)	(56,735,460.36)
Provision for bad debts	(4,747,496.20)	(1,915,180.67)
Decrease resulting from change in consolidation scope	–	(1,173,235.60)
Foreign currency financial statement translation differences	67,375.30	37,919.68
Balance at the end of the period/year	<u>(64,466,077.85)</u>	<u>(59,785,956.95)</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2 Long-term equity investments

Name of investee	Balance at the end of previous year	Movements in the period				Closing balance	Closing balance of impairment provision
		Increase in investment	Investment gain or loss recognised under equity method	Distribution of cash dividend or profit	Others		
1. Joint Venture							
Guangdong Yuehuahui Business Management Co., Ltd.	6,710,953.40	-	251,767.59	-	-	6,962,720.99	-
Shaoguan Yuehong Bus Station Co., Ltd.	3,184,022.85	-	(165,144.61)	-	-	3,018,878.24	-
Guangzhou Yueyun Software Technology Co., Ltd.	156,648.89	-	668,531.18	-	-	825,180.07	-
Zhuhai Yuegongxin Marine Shipping Limited Liability Company	66,883,611.06	-	(4,101,733.36)	-	-	62,781,877.70	-
Guangdong Zhongyou Top-E Energy Trading Co., Ltd.	34,774,179.54	1,331,600.00	3,337,103.75	(1,800,000.00)	-	37,642,883.29	-
Guangdong Roadnet Innovalues Media Information and Technology Co., Ltd.	4,160,557.84	-	(1,033,479.22)	-	-	3,127,078.62	-
Subtotal	115,869,973.58	1,331,600.00	(1,042,954.67)	(1,800,000.00)	-	114,358,618.91	-
2. Associate							
Guangdong South Passenger Network Center Co., Ltd.	5,160,342.42	-	132,981.77	-	-	5,293,324.19	-
Southern United Assets & Equity Exchange Co., Ltd.	68,177,817.55	-	9,785,051.22	-	-	77,962,868.77	-
Heyuan City Yueyun New Energy Co., Ltd.	233,296.01	-	-	-	-	233,296.01	233,296.01
Qingyuan Zhongguan Development Co., Ltd.	346,311.45	-	473.10	-	-	346,784.55	-
Shaoguan Libao Technology Co., Ltd.	1,553,383.00	-	195,928.38	-	-	1,749,311.38	-
Guangdong Guangye Shaoyun Natural Gas Co., Ltd.	930,000.00	-	-	-	-	930,000.00	930,000.00
Shaoguan Danxia Tourist Bus Co., Ltd.	11,303,494.20	-	(835,188.12)	-	-	10,468,306.08	-
Zhuhai Wandatong Hong Kong-Zhuhai-Macao Bridge Port Passenger Service Co., Ltd.	6,096,804.30	-	78,898.90	-	-	6,175,703.20	-
Guangzhou Tianhe Coach Terminal Co., Ltd.	30,198,918.51	-	-	-	-	30,198,918.51	-
CNPC Yueyun Natural Gas Co. Ltd.	12,715,908.99	-	(277,953.88)	-	-	12,437,955.11	-
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	10,007,082.44	-	(740,051.91)	-	-	9,267,030.53	-
Lufeng Shen-Shan Expressway Services Co., Ltd.	2,433,785.92	-	(897,510.83)	-	-	1,536,275.09	-
Hui Ke Tong Technology (Zhuhai) Co., Ltd.	1,019,218.57	-	(435,389.53)	-	-	583,829.04	-
Shenzhen Yueyun Investment Development Co., Ltd	48,231,900.58	-	175,454.54	-	-	48,407,355.12	-
Express Cross-Border Coach Management Co., Ltd.	88,990.99	-	(88,489.78)	-	-	501.21	-
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd	22,290,373.54	-	1,704,942.33	-	-	23,995,315.87	-
G.D., H.K. and Macao System Technology Co., Ltd.	-	-	52,693.26	-	-	52,693.26	-
Shantou City Automobile Passenger Traffic Center Co., Ltd.	23,311,992.16	-	(324,777.34)	-	(501.22)	22,986,713.60	-
Shantou City Chaonian Yueyun Sky Island Transportation Co., Ltd.	1,160,027.41	-	(732,126.34)	-	(262,183.26)	165,717.81	-
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. (note 1)	-	-	-	-	-	-	-
Subtotal	245,259,648.04	-	7,794,935.77	-	(262,684.48)	252,791,899.33	1,163,296.01
Total	361,129,621.62	1,331,600.00	6,751,981.10	(1,800,000.00)	(262,684.48)	367,150,518.24	1,163,296.01

Note 1: As Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd. had net liabilities at 30 June 2021 and 31 December 2020, the balance of the Group's investment in the company is recognised as zero.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

3 Investments in other equity instruments

As at 30 June 2021, the investments in other equity instruments of the Group of RMB4,224,048.22 (31 December 2020: RMB4,224,048.22) 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.

4 Fixed assets

(1) Fixed assets and disposal of fixed assets

Item	Closing balance	Balance at the end of previous year
Fixed assets	3,706,067,158.73	3,870,626,229.91
Fixed assets to be disposed of	608,153.09	—
Total	<u>3,706,675,311.82</u>	<u>3,870,626,229.91</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

4 Fixed assets (continued)

(2) Details of fixed assets

	Building and structures	Building improvement	Machinery and equipment	Electronic equipment, office equipment and others	Transportation vehicles	Total
1. Cost						
(1) Balance at the end of previous year	2,064,857,068.85	289,285,545.07	148,749,137.34	397,040,104.27	4,048,119,344.11	6,948,051,199.64
(2) Increase in the period	59,135,928.48	-	16,288,102.22	31,911,200.55	86,187,564.36	193,522,795.61
- Purchase	2,396,269.01	-	758,231.65	27,450,025.27	70,903,574.54	101,508,100.47
- Transferred from construction in progress	44,583,900.19	-	460,652.29	4,424,762.52	12,727,376.09	62,196,691.09
- Transferred from investment properties	289,639.52	-	-	-	-	289,639.52
- Increase due to reclassification	11,866,119.76	-	15,069,218.28	36,412.76	2,556,613.73	29,528,364.53
(3) Decrease in the period	(18,003,465.55)	-	(12,337,304.29)	(6,535,339.87)	(213,089,337.37)	(249,965,447.08)
- Disposals or retirement	(949,789.99)	-	(502,353.11)	(6,390,590.00)	(193,259,487.72)	(201,102,220.82)
- Transferred to investment properties	(16,313,675.30)	-	-	-	-	(16,313,675.30)
- Foreign currency financial statement translation differences	(417,975.98)	-	(12,210.42)	(86,839.87)	(2,504,160.16)	(3,021,186.43)
- Decrease due to reclassification	(322,024.28)	-	(11,822,740.76)	(57,910.00)	(17,325,689.49)	(29,528,364.53)
(4) Closing balance	2,105,989,531.78	289,285,545.07	152,699,935.27	422,415,964.95	3,921,217,571.10	6,891,608,548.17
2. Accumulated depreciation						
(1) Balance at the end of previous year	520,113,502.82	139,049,356.84	57,565,732.90	279,540,551.37	2,076,470,337.77	3,072,739,481.70
(2) Increase in the period	43,306,411.86	10,116,868.25	12,326,810.52	14,974,065.51	251,226,252.36	331,950,408.50
- Provision	43,226,936.45	10,116,868.25	7,074,004.24	14,966,367.21	250,202,511.31	325,586,687.46
- Transferred from investment properties	33,395.41	-	-	-	-	33,395.41
- Increase due to reclassification	46,080.00	-	5,252,806.28	7,698.30	1,023,741.05	6,330,325.63
(3) Reductions during the period	(10,005,169.44)	-	(552,036.66)	(4,700,046.92)	(208,576,735.77)	(223,833,988.79)
- Disposals or retirement	(227,819.08)	-	(543,100.65)	(4,587,834.49)	(200,462,438.24)	(205,821,192.46)
- Transferred to investment properties	(9,471,460.94)	-	-	-	-	(9,471,460.94)
- Foreign currency financial statement translation differences	(305,889.42)	-	(8,936.01)	(63,552.45)	(1,832,631.88)	(2,211,009.76)
- Decrease due to reclassification	-	-	-	(48,659.98)	(6,281,665.65)	(6,330,325.63)
(3) Closing balance	553,414,745.24	149,166,225.09	69,340,506.76	289,814,569.96	2,119,119,854.36	3,180,855,901.41
3. Provision for impairment						
(1) Balance at the end of previous year	-	-	-	-	4,685,488.03	4,685,488.03
(2) Closing balance	-	-	-	-	4,685,488.03	4,685,488.03
4. Carrying amount						
(1) Closing balance of carrying amount	1,552,574,786.54	140,119,319.98	83,359,428.51	132,601,394.99	1,797,412,228.71	3,706,067,158.73
(2) Carrying amount at the end of previous year	1,544,743,566.03	150,236,188.23	91,183,404.44	117,499,552.90	1,966,963,518.31	3,870,626,229.91

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

4 Fixed assets (continued)

(2) Details of fixed assets (continued)

- (1) As at 30 June 2021, fixed assets with carrying amount of RMB351,410,044.60 (31 December 2020: RMB385,514,759.00) were pledged for bank borrowings, among which, RMB322,201,631.20 were pledged for long-term loans (31 December 2020: RMB355,714,159.01) and RMB29,208,413.40 were pledged for short-term loans (31 December 2020: RMB29,800,599.99).
- (2) Except for the buildings that are in the process of obtaining certificate of title, as at 30 June 2021, the buildings and structures located in Guangzhou, Qingyuan, Foshan, Shaoguan, Zhaoqing, Shanwei, Meizhou and Heyuan have not yet obtained the certificates of title with aggregate carrying amount of RMB285,841,512.16 (31 December 2020: RMB212,209,594.92).
- (3) As at 30 June 2021, the carrying amount of the Group's transportation vehicles under operating leases was RMB8,196,842.68 (31 December 2020: RMB18,953,674.25).
- (4) As at 30 June 2021, the carrying amount of the Group's fixed assets transferred into liquidation was RMB608,153.09, of which the carrying amount of transportation vehicles to be disposed of was RMB608,153.09.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

5 Right-of-use assets

	Buildings	Lease of land	Transportation vehicles	Others	Total
1. Cost					
(1) Balance at the end of previous year	2,504,002,423.41	110,271,832.93	660,285,229.81	1,016,246.22	3,275,575,732.37
(2) Increase for the period	75,564,187.95	-	-	-	75,564,187.95
- Additional leases	19,259,027.42	-	-	-	19,259,027.42
- Revaluation adjustment	56,305,160.53	-	-	-	56,305,160.53
(3) Decrease for the period	(42,016,735.47)	-	-	-	(42,016,735.47)
- Disposal	(41,880,628.62)	-	-	-	(41,880,628.62)
- Foreign currency translation differences	(136,106.85)	-	-	-	(136,106.85)
(4) Closing balance	<u>2,537,549,875.89</u>	<u>110,271,832.93</u>	<u>660,285,229.81</u>	<u>1,016,246.22</u>	<u>3,309,123,184.85</u>
2. Accumulated depreciation					
(1) Balance at the end of previous year	826,725,852.44	39,116,057.15	217,015,182.02	932,834.36	1,083,789,925.97
(2) Increase for the period	86,176,412.26	2,551,186.31	37,586,333.75	82,768.31	126,396,700.63
- Provision	86,176,412.26	2,551,186.31	37,586,333.75	82,768.31	126,396,700.63
(3) Decrease for the period	(12,909,827.35)	-	-	-	(12,909,827.35)
- Disposal	(12,820,709.33)	-	-	-	(12,820,709.33)
- Foreign currency translation differences	(89,118.02)	-	-	-	(89,118.02)
(4) Closing balance	<u>899,992,437.35</u>	<u>41,667,243.46</u>	<u>254,601,515.77</u>	<u>1,015,602.67</u>	<u>1,197,276,799.25</u>
3. Carrying amount					
(1) Closing balance of carrying amount	<u>1,637,557,438.54</u>	<u>68,604,589.47</u>	<u>405,683,714.04</u>	<u>643.55</u>	<u>2,111,846,385.60</u>
(2) Carrying amount at the end of previous year	<u>1,677,276,570.97</u>	<u>71,155,775.78</u>	<u>443,270,047.79</u>	<u>83,411.86</u>	<u>2,191,785,806.40</u>

As at 30 June 2021, the Group pledged transportation vehicles with carrying amount of RMB280,562,843.09 as lease collateral (31 December 2020: RMB442,464,097.81).

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

6 Intangible assets

(1) Details of intangible assets

	Land use rights	Compute software	Passenger service licenses	Station and toll bridge franchise operating rights	Line license use rights and route operation rights	Trade mark rights and others	Total
1. Cost							
(1) Balance at the end of previous year	876,657,498.94	91,737,258.12	36,880,898.18	387,478,456.26	316,547,835.99	3,794,579.24	1,713,096,526.73
(2) Increase for the period	2,627,493.42	3,354,887.82	-	-	8,985,134.50	-	14,967,515.74
- Additions	2,627,493.42	2,068,887.82	-	-	8,985,134.50	-	13,681,515.74
- Transferred from construction in progress	-	1,286,000.00	-	-	-	-	1,286,000.00
(3) Decrease for the period	(45,781,909.00)	(5,144,141.54)	-	-	(2,503,234.38)	(45,900.00)	(53,475,184.92)
- Disposal	(8,490.68)	(5,144,141.54)	-	-	(2,503,234.38)	(45,900.00)	(7,701,766.60)
- Transferred to investment properties	(6,691,269.81)	-	-	-	-	-	(6,691,269.81)
- Foreign currency financial statement translation differences	(828,552.61)	-	-	-	-	-	(828,552.61)
- Reduction of land value	(38,253,595.90)	-	-	-	-	-	(38,253,595.90)
(4) Closing balance	833,503,083.36	89,948,004.40	36,880,898.18	387,478,456.26	323,029,736.11	3,748,679.24	1,674,588,857.55
2. Accumulated depreciation							
(1) Balance at the end of previous year	167,794,933.93	48,504,507.28	-	285,061,190.85	175,552,849.45	1,638,451.61	678,551,933.12
(2) Increase for the period	6,574,128.79	4,550,555.65	-	3,266,716.97	17,135,598.95	114,292.26	31,641,292.62
- Provision	6,574,128.79	4,550,555.65	-	3,266,716.97	17,135,598.95	114,292.26	31,641,292.62
(3) Decrease for the period	(1,107,753.90)	(1,146,153.52)	-	-	(2,494,168.00)	(54,967.38)	(4,803,042.80)
- Written off on disposal	(61,768.02)	(1,146,153.52)	-	-	(2,494,168.00)	(54,967.38)	(3,757,056.92)
- Foreign currency financial statement translation differences	(165,137.46)	-	-	-	-	-	(165,137.46)
- Transferred to investment properties	(880,848.42)	-	-	-	-	-	(880,848.42)
(4) Closing balance	173,261,308.82	51,908,909.41	-	288,327,907.82	190,194,280.40	1,697,776.49	705,390,182.94
3. Carrying amount							
(1) Closing balance of carrying amount	660,241,774.54	38,039,094.99	36,880,898.18	99,150,548.44	132,835,455.71	2,050,902.75	969,198,674.61
(2) Carrying amount at the end of previous year	708,862,565.01	43,232,750.84	36,880,898.18	102,417,265.41	140,994,986.54	2,156,127.63	1,034,544,593.61

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

6 Intangible assets (continued)

(1) Details of intangible assets (continued)

- (1) As at 30 June 2021, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right (toll bridge franchise operating rights) with carrying amount of RMB55,139,406.11 (31 December 2020: RMB57,618,606.46) was pledged as counter guarantee to Guangdong Provincial Communication Group Finance Company Limited in connection with the issuance of the 2014 corporate bonds of the Group as mentioned in Note 11. In addition, land use rights with carrying amount of RMB130,423,784.11 (31 December 2020: RMB192,175,047.58) were pledged for bank loans, among which, RMB86,728,386.15 (31 December 2020: RMB102,354,103.08) were pledged for long-term loans, RMB43,695,397.96 (31 December 2020: RMB89,820,944.50) were pledged for short-term loans. As at 30 June 2021, land use rights with carrying amount of RMB931,902.00 (31 December 2020: RMB931,902.00) were pledged for long-term payables. As at 30 June 2021, there were no other restriction on the intangible assets of the Group.
- (2) As at 30 June 2021, apart from the land for which the title certificate is being processed the carrying amount of the land use rights located in certain cities such as Heyuan, Shanwei, Shaoguan, Yangjiang without certificates of title was RMB7,369,514.58 (31 December 2020: RMB10,736,440.28).
- (3) As at 30 June 2021, land use rights with carrying amount of RMB67,089,162.65 (31 December 2020: RMB87,705,163.22) were obtained through allocation.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

7 Short-term loans

	Closing balance	Balance at the end of the previous year
Unsecured loans	398,628,695.27	373,514,500.18
Including: Loans from banks	348,628,695.27	373,514,500.18
Loans secured by mortgages	209,282,648.99	190,096,898.32
Loans secured by pledges	–	30,000,000.00
Total	<u>607,911,344.26</u>	<u>593,611,398.50</u>

- (1) For the details of assets pledged for secured loans as at 30 June 2021, please refer to Note V. 4 Fixed assets, V. 5 Right-of use assets and V. 6 Intangible assets.
- (2) As at 30 June 2021, the Group's short-term loans were borrowings from banks and Jiao Tong Group Finance Company within 1 year, which bear interest rates ranging from 2.05% to 6.50% per annum (31 December 2020: 2.05% to 6.50% per annum).
- (3) As at 30 June 2021, the Group had no overdue short-term loans (31 December 2020: Nil).

8 Accounts payable

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

	Closing balance	Balance at the end of previous year
Materials payable	87,354,695.06	78,182,040.26
Transportation fee payable	108,366,832.22	149,499,203.59
Payables for purchase of vehicles	92,053,879.48	108,076,092.31
Progress payments for constructions	187,848,285.59	233,591,336.02
Contract payments for expressway service zone	50,871,428.92	41,132,664.15
Fuel expenses payable	34,969,253.92	28,660,721.82
Service fees	9,800,753.67	10,573,529.03
Others	40,497,007.62	28,890,164.43
Total	<u>611,762,136.48</u>	<u>678,605,751.61</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

8 Accounts payable (continued)

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

Ageing	Closing balance	Balance at the end of previous year
Within 3 months (inclusive)	354,800,691.84	501,908,790.64
Over 3 months and within 6 months (inclusive)	39,516,346.82	22,360,911.53
Over 6 months and within 1 year (inclusive)	107,263,602.76	45,402,092.56
1 to 2 years (inclusive)	38,655,686.29	46,547,145.73
2 to 3 years (inclusive)	10,456,194.15	51,979,008.85
Over 3 years	61,069,614.62	10,407,802.30
Total	<u>611,762,136.48</u>	<u>678,605,751.61</u>

Note: The ageing is counted starting from the date of original transaction.

(3) Major accounts payable aged over 1 year

As at 30 June 2021, details of accounts payable aged over 1 year with carrying amount over RMB10 million are as follows:

	Closing balance	Reasons for outstanding or carried forward
Mao Ming Shi Dian Bai Qu Er Yun Transportation Limited	22,100,294.00	Payment condition for payables for purchase of transportation vehicles has not been fulfilled
Total	<u>22,100,294.00</u>	

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

9 Non-current liabilities due within one year

	Closing balance	Balance at the end of previous year
Ageing		
Long-term loans due within one year	242,340,575.36	242,524,331.63
Bonds payable due within one year	12,326,139.00	–
Long-term payables due within one year	51,336,332.55	21,970,748.15
Lease liabilities due within one year	222,010,071.61	267,809,024.38
	528,013,118.52	532,304,104.16

10 Long-term loans

	Closing balance	Balance at the end of previous year
Unsecured loans	1,088,159,983.00	1,034,152,961.89
Including: Loans from banks	923,617,607.16	677,252,961.89
Loans from Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance")	164,542,375.84	356,900,000.00
Loans secured by mortgages	128,084,121.08	147,571,681.58
Guaranteed and mortgaged loans	183,202,726.07	214,838,070.08
Loans secured by pledges	53,389,597.00	116,580,884.71
Loans secured by mortgages, guarantees and pledges	41,200,000.00	46,200,000.00
	1,494,036,427.15	1,559,343,598.26
Less: Long-term loans due within one year		
Including: Unsecured loans	(106,063,938.36)	(106,037,780.00)
Loans secured by mortgages	(48,853,617.84)	(52,509,803.55)
Guaranteed and mortgaged loans	(62,197,419.16)	(64,276,748.08)
Loans secured by pledges	(13,725,600.00)	(14,700,000.00)
Loans secured by mortgage, guarantees and pledges	(11,500,000.00)	(5,000,000.00)
	(242,340,575.36)	(242,524,331.63)
Long-term loans due after 1 year	1,251,695,851.79	1,316,819,266.63
Including: Due after 1 year but within 2 years	332,784,613.74	219,306,085.65
Due after 2 years but within 5 years	887,911,238.05	1,097,513,180.98

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

10 Long-term loans (continued)

- (1) For the details of assets pledged for secured loans, please refer to Note V. 4 Fixed assets, V. 5 Right-of-use assets and V. 6 Intangible assets.
- (2) As at 30 June 2021, the Group's long-term loans were borrowings from banks and GCG Finance with interest rates ranging from 3.16% to 4.85% per annum (31 December 2020: 3.16% to 4.90% per annum).
- (3) As at 30 June 2021, the Group's mortgaged and guaranteed loans include the loans borrowed by the subsidiaries: Heyuan Yueyun Motor Transportation Co., Ltd. with land as collateral, and joint liability guarantee provided by shareholders for the remaining exposures in proportion to their shareholdings; and the loans borrowed by Guangdong Yueyun Langri Co., Ltd, Heyuan Yueyun Motor Transportation Co., Ltd., Qingyuan City Yueyun Public Transportation Co., Ltd., Shaoguan Yueyun Vehicles Transportation Co., Ltd., Meizhou Yueyun Motor Transportation Co., Ltd., Maoming city Dianbai District Yueyun Transportation Co., Ltd., with vehicles as collateral and Zhengzhou Anchi Bonding Co., Ltd. (a third party company) providing joint liability guarantee.
- (4) As at 30 June 2021, the Group's loans secured by pledges are constituted by: ① borrowing of Foshan Yueyun Public Transportation Co., Ltd. which is secured by guarantee deposit of RMB1,700,000.00; ② borrowing of Qingyuan Yueyun Automobile Transportation Co., Ltd which is secured by a guarantee deposit of RMB200,000.00; and ③ borrowing of Shanwei City Yueyun Public Transportation Co., Ltd. which is secured by 2019 Central financial energy saving and new energy buses operation government subsidies as pledge.
- (5) As at 30 June 2021, the Group's loans secured by pledges, mortgages and guarantees include borrowing of Shanwei Yueyun Automobile Transportation Co., Ltd. which is secured by 2019 Central financial energy saving and new energy buses operation government subsidies, land as collateral and 51% joint liability guarantee provided by the Company.
- (6) As at 30 June 2021, the Group did not have any expired but overdue long-term loan (31 December 2020: Nil).

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

11 Bonds payable

(1) Details of bond payable are as follows:

	Closing balance	Balance at the end of previous year
Corporate bonds	<u>390,592,096.08</u>	<u>392,533,626.17</u>
Total	<u>390,592,096.08</u>	<u>392,533,626.17</u>

(2) Movements of bond payable (excluding preference shares classified as financial liabilities, perpetual bonds and other financial instruments):

Bond name	Face value	Issue date	Period	Issued amount	Balance at the end of previous year	Interest payables	Amortisation for the year	Due within one year	Closing balance
2014 corporate bond	<u>400,000,000.00</u>	28/09/2015	7 years	<u>400,000,000.00</u>	<u>392,533,626.17</u>	<u>9,747,396.85</u>	<u>637,212.06</u>	<u>(12,326,139.00)</u>	<u>390,592,096.08</u>

- (1) 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 aggregate 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 28 September 2020, The Company has redeemed the 2014 corporate bonds with principal amount of RMB8,694,000.00. There was no adjustment on the coupon rate.
- (2) 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. 6 Intangible assets.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 Lease liabilities

	Closing balance	Balance at the end of previous year
Long-term lease liabilities	2,320,329,009.76	2,409,195,310.62
Less: Lease liabilities due within one year	(222,01,071.61)	(267,809,024.38)
Total	<u>2,098,319,028.15</u>	<u>2,141,386,286.24</u>

13 Retained earnings

	Amount for the period	Amount for the previous period
Retained earnings at the end of previous year before adjustment	1,502,303,964.69	1,291,081,241.71
Total adjustments on opening retained earnings (increase/(decrease))	—	—
Retained earnings at the beginning of the period	1,052,303,964.69	1,291,081,241.71
Add: Net loss attributable to the shareholders of the Company for the period	(60,764,972.12)	(111,440,445.24)
Retained earnings at the end of the period	<u>991,538,992.57</u>	<u>1,179,640,796.47</u>

The Board does not recommend distribution of an interim dividend for the period (corresponding period in 2020: Nil).

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

14 Financial expenses

	Amount for the period	Amount for the previous period
Interest expenses from loans and bonds	56,111,057.95	54,308,191.07
Less: Borrowing costs capitalised	<u>(692,888.89)</u>	<u>(800,660.00)</u>
Net interest expenses	55,418,169.06	53,507,531.07
Less: Interest income	<u>(7,073,928.87)</u>	<u>(8,466,464.40)</u>
Net exchange losses	3,013,474.69	772,316.80
Amortisation of unrecognized financial charges	4,250,289.32	7,147,932.26
Interest expenses from lease liabilities	59,935,527.37	54,539,561.83
Others	<u>4,599,496.61</u>	<u>5,521,212.87</u>
Total	<u><u>120,143,028.18</u></u>	<u><u>113,022,090.43</u></u>

15 Other income

	Amount for the period	Amount for the previous period
Government grants related to assets	38,700,514.60	42,811,227.18
Government grants related to income	100,756,064.44	169,244,647.19
VAT reductions	<u>25,170,339.33</u>	<u>33,378,280.07</u>
Total	<u><u>164,626,918.37</u></u>	<u><u>245,434,154.44</u></u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

15 Other income (continued)

Government grants recognised in other income:

	Amount for the period	Amount for the previous period	Related to assets/ Related to income
Subsidies for vehicles replacement	943,882.77	1,267,395.71	Related to assets
Subsidies for procurement of new energy vehicles	33,118,898.88	35,645,401.60	Related to assets
Subsidies for fixed assets improvement	3,138,949.52	4,228,577.15	Related to assets
Tax subsidies for vehicle purchases	199,999.97	212,765.94	Related to assets
Subsidies related to purchase of other assets	1,298,783.46	1,457,086.78	Related to assets
Subsidies for operation of new energy vehicle	–	117,374,194.11	Related to income
Subsidies for operation of bus lines	77,588,995.05	38,956,389.64	Related to income
Subsidies of elderly concessionary travel card	15,740,093.12	11,198,396.82	Related to income
Other subsidies	7,426,976.27	1,715,686.62	Related to income
Total	<u>139,456,579.04</u>	<u>212,055,874.37</u>	

16 Investment income

	Amount for the period	Amount for the previous period
Income/(loss) from investments using equity method	6,751,981.10	(1,406,500.43)
Others	(229,690.72)	1,410,422.64
Total	<u>6,522,290.38</u>	<u>3,922.21</u>

Note: There are no significant restrictions on remittance of the Group's investment income.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

17 Provision of credit losses

	Amount for the period	Amount for the previous period
Impairment loss of accounts receivable	(4,747,496.20)	(4,010,212.33)
Impairment loss of other receivables	(693,627.38)	(3,384,385.46)
Total	<u>(5,441,123.58)</u>	<u>(7,394,597.79)</u>

18 Gains on disposals of assets

	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Gains on disposals of fixed assets	2,368,321.63	606,571.93	2,368,321.63
Gains on disposals of right-of-use assets	2,170,260.81	14,641.53	2,170,260.81
Total	<u>4,538,582.44</u>	<u>621,213.46</u>	<u>4,538,582.44</u>

19 Non-operating income

	Amount for the period	Amount for the previous period	Amount included in non-recurring profit or loss for the period
Government grants	140,796.46	14,523,611.50	140,796.46
Gains on disposal of non-current assets	1,455,149.49	8,928,081.74	1,455,149.49
Others	4,238,803.91	5,305,239.36	4,238,803.91
Total	<u>5,834,749.86</u>	<u>28,756,932.60</u>	<u>5,834,749.86</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

19 Non-operating income (continued)

Government grants recognised in non-operating income:

	Amount for the period	Amount for the previous period	Related to assets/ Related to income
Subsidies related to COVID-19	140,796.46	6,409,508.00	Related to income
Subsidies for vehicles disposals	–	399,000.00	Related to income
Other subsidies	–	7,715,103.50	Related to income
	<hr/>	<hr/>	
Total	<u>140,796.46</u>	<u>14,523,611.50</u>	

20 Income tax expenses

	Amount for the period	Amount for the previous period
Current tax expenses	63,643,060.91	51,305,300.10
Deferred tax credit	(11,057,639.96)	(46,187,487.21)
	<hr/>	<hr/>
Total	<u>52,585,420.95</u>	<u>5,117,812.89</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

21 Loss per share

(1) Basic loss per share

Basic loss per share is calculated by dividing the net loss 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:

	Amount for the period	Amount for the previous period
Net loss attributable to shareholders of the Company	(60,764,972.12)	(111,440,445.24)
Weighted average number of ordinary shares in issue during the period	799,847,800.00	799,847,800.00
Basic loss per share	(0.08)	(0.14)
Including: Basic loss per share from continuing operations	(0.08)	(0.14)
Basic loss per share from discontinued operations	—	—

(2) Diluted loss per share

The amounts of diluted loss per share are the same as basic loss per share as there were no dilutive potential ordinary shares in existence for the six months ended 30 June 2021 and 2020.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

22 Supplement to cash flow statement

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

	Amount for the period	Amount for the previous period
Net loss	(123,988,627.62)	(182,471,269.61)
Add: Accrual of credit losses	5,441,123.58	7,394,597.79
Loss for asset impairment	–	5,897,186.88
Depreciation of fixed assets	327,807,643.20	329,585,071.13
Depreciation of right-of-use assets	126,396,700.63	103,809,912.49
Amortisation of intangible assets	31,641,292.62	34,220,070.99
Amortisation of long-term deferred expenses	28,028,918.07	23,469,904.02
Gains on disposal of fixed assets, intangible assets and other long-term assets	(4,538,582.44)	(920,449.06)
Loss on disposal of fixed assets	2,545,534.22	–
Financial expenses	119,603,985.75	111,795,252.86
Investment income	(6,522,290.38)	(3,922.21)
Increase in deferred tax assets	(19,119,416.24)	(38,605,525.45)
Increase/(decrease) in deferred tax liabilities	8,563,398.69	(7,581,961.76)
Decrease in inventories	1,268,137.96	2,448,420.16
Decrease/(increase) in operating receivables	121,941,114.06	(170,851,779.25)
(Decrease)/increase in operating payables	(116,635,828.45)	126,904,767.38
Changes in others	7,664,135.30	7,125,513.23
Net cash inflow from operating activities	<u>510,097,238.95</u>	<u>352,215,789.59</u>
Change in cash and cash equivalents:		
Cash and cash equivalents at the end of the period	1,263,975,382.93	1,164,678,375.98
Less: Cash and cash equivalents at the beginning	<u>(1,241,551,487.41)</u>	<u>(1,163,480,565.54)</u>
Net increase in cash and cash equivalents	<u>22,423,895.52</u>	<u>1,197,810.44</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

22 Supplement to cash flow statement (continued)

(2) Details of cash and cash equivalents

	Amount for the period	Amount for the previous period
Cash at bank and on hand	1,263,975,382.93	1,241,551,487.41
– Cash on hand	7,314,371.49	7,385,548.22
– Bank deposits available on demand	1,256,661,011.44	1,234,165,939.19
	<u>1,263,975,382.93</u>	<u>1,241,551,487.41</u>
Cash and cash equivalents at the end of the period	<u>1,263,975,382.93</u>	<u>1,241,551,487.41</u>

23 Restriction on the ownership or use of rights of assets

Item	Carrying amount at the end of the period	Reason for restriction
Cash at bank and on hand	14,612,601.18	Pledged as security deposit, performance bond, tourism quality deposit, borrowings, guarantee and house maintenance funds
Other receivables	62,040,000.00	Pledged for borrowings
Fixed assets	351,410,044.60	Pledged for borrowings
Intangible assets	185,563,190.22	Pledged for borrowings and counter guarantee
Right-of-use assets	280,562,843.09	Pledged for borrowings
Construction in progress	<u>6,994,499.41</u>	Pledged for borrowings
Total	<u>901,183,178.50</u>	

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

24 Government grants

(1) Government grants

	Closing balance	Amount for the previous period
Government grants related to assets	38,700,514.60	42,811,227.18
Government grants related to income	103,786,619.01	194,640,318.58
Total	<u>142,487,133.61</u>	<u>237,451,545.76</u>

(2) Government grants related to assets

	Balance of deferred income at the end of the previous period	Additions during the period	Recognise as other income during the period	Other reductions	Closing balance of deferred income
Subsidies for vehicles replacement	3,565,886.08	-	(943,882.77)	(34,945.25)	2,587,058.06
Subsidies for procurement of new energy vehicles	216,850,901.76	19,321,946.46	(33,118,898.88)	-	203,053,949.34
Subsidies for fixed assets improvement	118,830,183.09	490,000.00	(3,138,949.52)	(5,867.58)	116,175,365.99
Tax subsidies for vehicles	12,438,047.63	-	(199,999.97)	-	12,238,047.66
Software development subsidies	300,000.00	-	-	-	300,000.00
Other subsidies related to assets	15,361,019.67	182,379.15	(1,298,783.46)	-	14,244,615.36
Total	<u>367,346,038.23</u>	<u>19,994,325.61</u>	<u>(38,700,514.60)</u>	<u>(40,812.83)</u>	<u>348,599,036.41</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

24 Government grants (continued)

(3) Government grants related to income

Impact on income statements items	Items	Amount for the period	Amount for the previous period
Offsetting against operation costs	Fuel subsidies	2,889,758.11	10,872,059.89
Subtotal		2,889,758.11	10,872,059.89
Recognised as other income	Subsidies for operation of bus lines	77,588,995.05	38,956,389.64
	Subsidies for operation of new energy vehicles	–	117,374,174.11
	Subsidies of elderly concessionary travel card	15,740,093.12	11,198,396.82
	Other subsidies	7,426,976.27	1,715,686.62
Subtotal		100,756,064.44	169,244,647.19
Recognised as non-operating income	Subsidies for vehicles disposals	–	399,000.00
	Subsidies for COVID-19	140,796.46	6,409,508.00
	Other subsidies	–	7,715,103.50
Subtotal		140,796.46	14,523,611.50
Total		103,786,619.01	194,640,318.58

25 Net current liabilities

	Closing balance	Balance at the end of previous year
Current assets	2,458,155,752.47	2,555,304,908.11
Less: Current liabilities	(2,997,820,252.59)	(3,093,408,723.34)
Net current liabilities	(539,664,500.12)	(538,103,815.23)

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

26 Total assets less current liabilities

	Closing balance	Balance at the end of previous year
Total assets	10,658,846,379.04	11,052,730,259.95
Less: Current liabilities	<u>(2,997,820,252.59)</u>	<u>(3,093,408,723.34)</u>
Total assets less current liabilities	<u>7,661,026,126.45</u>	<u>7,959,321,536.61</u>

VI. CHANGE IN SCOPE OF CONSOLIDATION

1 Business combinations not involving entities under common control

The Group has no business combinations not involving entities under common control during the period.

2 Business combination involving entities under common control

The Group has no business combination involving entities under common control during the period.

3 Disposal of subsidiary

The Group has no disposal of subsidiary during the period.

4 Other change in scope of consolidation

Foshan Nanhai Yueyun Transportation Co. Ltd., a subsidiary of the Group, is deregistered on 9 June 2021. The operating results and cash flows before the deregistration date are included in the consolidated income statement and consolidated cash flow statement.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES

1 Interests in subsidiaries

(1) Details in subsidiaries

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Guangdong Highway Media Company Limited	Guangdong China	Guangdong China	Expressway services	100.00	100.00	Established
Yueyun Transportation (HK) Company Limited	Hong Kong China	Hong Kong China	Material logistic services	100.00	100.00	Established
Guangdong Top-E Expressway Service Zone Company Limited	Guangdong China	Guangdong China	Expressway services	95.56	95.56	Business combinations involving entities under common control
Guangdong Tongyi Landscape Co., Ltd.	Guangdong China	Guangdong China	Expressway services	100.00	100.00	Business combinations involving entities under common control
Guangdong Jindaoda Expressway Economic Development Company Limited	Guangdong China	Guangdong China	Expressway Services	100.00	100.00	Business combinations involving entities under common control
The Motor Transport Company of Guangdong and Hong Kong Limited (Hong Kong) (Note 1)	Hong Kong China	Hong Kong China	Cross-border transportation services	62.00	71.43	Business combinations involving entities under common control
Gang Tong (HK) Motor Transport Company Limited	Hong Kong China	Hong Kong China	Cross-border transportation services	100.00	100.00	Business combinations involving entities under common control
Guangdong Yue Li Jia Passenger Transport Company Limited (Hong Kong)	Hong Kong China	Hong Kong China	Cross-border transportation services	70.00	70.00	Business combinations involving entities under common control
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited (Note 1)	Guangdong China	Guangdong China	Cross-border transportation services	62.00	71.43	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Shenzhen Yuegang Transport Company Limited	Guangdong China	Guangdong China	Cross-border transportation services	100.00	100.00	Business combinations involving entities under common control
Guangdong Yue Li Jia Passenger Transport Company Limited (Guangzhou)	Guangdong China	Guangdong China	Cross-border transportation services	70.00	70.00	Business combinations involving entities under common control
Guangdong Province Jiaotong Engineering Company Limited	Guangdong China	Guangdong China	Real Estate leasing	100.00	100.00	Business combinations involving entities under common control
Guangdong Vehicles Transportation Group Co., Ltd.	Guangdong China	Guangdong China	Investment and domestic transportation	100.00	100.00	Business combinations involving entities under common control
Foshan City Yueyun Public Transportation Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Domestic transportation	51.00	100.00	Business combinations involving entities under common control
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	59.62	59.62	Business combinations involving entities under common control
Foshan City Sanshui District Yueyun Traffic Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Domestic transportation	51.00	100.00	Business combinations involving entities under common control
Guangdong Yueyun Traffic Rescue Co., Ltd.	Guangdong China	Guangdong China	Traffic Rescue	100.00	100.00	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Shenzhen Shenwei Lighter Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	55.00	55.00	Business combinations involving entities under common control
Guangdong Yueyun Langri Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	51.00	51.00	Business combinations involving entities under common control
Yangchun Langri Fuels Co., Ltd.	Guangdong China	Guangdong China	Fuel retail	100.00	100.00	Business combinations involving entities under common control
Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Station services	60.00	100.00	Business combinations involving entities under common control
Yangjiang City Yueyun Langri Public transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	65.00	65.00	Business combinations involving entities under common control
Yangchun City's Third Motor Transpiration Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Domestic transportation	70.00	100.00	Business combinations involving entities under common control
Yangchun City Yueyun Langri Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations involving entities under common control
Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Yangxi County Yueyun Langri Passenger Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations involving entities under common control
Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	51.00	51.00	Business combinations involving entities under common control
Zhongshan City Eastern Station Co., Ltd.	Guangdong China	Guangdong China	Station services	100.00	100.00	Business combinations involving entities under common control
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	70.00	70.00	Business combinations involving entities under common control
Guangzhou City Yueyun Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	51.00	51.00	Business combinations involving entities under common control
Guangzhou City Zengcheng Automobile Passenger Traffic Station Co., Ltd.	Guangdong China	Guangdong China	Station services	60.00	60.00	Business combinations involving entities under common control
Heyuan City Yueyun Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	55.28	55.28	Business combinations involving entities under common control
Foshan City Yueyun Hexing Transportation Co., Ltd.	Guangdong China	Guangdong China	Station services	51.00	51.00	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Yangjiang City Yueyun Langri Fuel Company Limited	Guangdong China	Guangdong China	Fuel retail	100.00	100.00	Established
Guangdong Gangtong Vehicles Transportation Company Limited	Guangdong China	Guangdong China	Cross-border transportation services	100.00	100.00	Established
Yangjiang City Yueyun Langri international Travel Service Co., Ltd.	Guangdong China	Guangdong China	Tourism services	100.00	100.00	Established
Heyuan City Chengnan Freight Station Co., Ltd.	Guangdong China	Guangdong China	Station services	100.00	100.00	Established
Guangzhou Yueyun Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Established
Heyuan City Yueyun Tongxing Travel Company Limited	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations not involving entities under common control
Heyuan City Yueyun Lvdu Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations not involving entities under common control
Yangjiang City Yangzha New Image Public Transportation Company Limited	Guangdong China	Guangdong China	Domestic transportation	77.25	77.25	Business combinations not involving entities under common control
Yangjiang City Xinyi Advertising Co., Ltd.	Guangdong China	Guangdong China	Advertising services	100.00	100.00	Established
Dongyuan County Dengta Town Yueyun Property Lease Co., Ltd.	Guangdong China	Guangdong China	Property management	100.00	100.00	Established

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	66.39	66.39	Business combinations not involving entities under common control
Yangshan County Yueyun Motor Inspection Company Limited	Guangdong China	Guangdong China	Vehicle Inspection	100.00	100.00	Business combinations not involving entities under common control
Qingyuan City Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations not involving entities under common control
Shaoguan Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	59.69	59.69	Business combinations not involving entities under common control
Shaoguan Polycom Motor Vehicle Training Co., Ltd.	Guangdong China	Guangdong China	Motor Vehicle Driver Training	100.00	100.00	Business combinations not involving entities under common control
Shaoguan City Yueyun Travel Agency Co. Ltd.	Guangdong China	Guangdong China	Tourism Services	100.00	100.00	Business combinations not involving entities under common control
Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd.	Guangdong China	Guangdong China	Domestic transportation	100.00	100.00	Business combinations not involving entities under common control
Zhaoqing Yueyun Travel Service Company Limited	Guangdong China	Guangdong China	Tourism services	100.00	100.00	Established
Yangjiang Yueyun Langri Driving Training Co., Ltd.	Guangdong China	Guangdong China	Motor Vehicle Driver Training	100.00	100.00	Established

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Shanwei Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	51.00	51.00	Business combinations not involving entities under common control
Lufeng Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations not involving entities under common control
Haifeng Xian Yueyun Vehicle Transportation Company Limited	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations not involving entities under common control
Shanwei City Yueyun New Energy Vehicles Services Co., Ltd.	Guangdong China	Guangdong China	Automobile maintenance, charging pile construction and operation	100.00	100.00	Business combinations not involving entities under common control
Shanwei Yueyun Public Transportation Company Limited	Guangdong China	Guangdong China	Domestic Transportation	85.00	85.00	Business combinations not involving entities under common control
Guangdong Yueyun Development Co., Ltd.	Guangdong China	Guangdong China	Business service	100.00	100.00	Established
Haifeng Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Established
Luhe Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Established
Lufeng Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Established

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Qingyuan Qingxin District Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations not involving entities under common control
Qingyuan Qingxin District Yueyun Public Transport Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations not involving entities under common control
Yangjiang City Hailing Yueyun Langri Travel Transport Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	65.00	65.00	Established
Guangdong Yangjiang Vehicles Transportation Group Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Huaiji County Yueyun City-Village Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations not involving entities under common control
Maoming city Dianbai District Yueyun Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	51.00	51.00	Established
Shaoguan City Guangshao Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	51.00	51.00	Established
Meizhou Yueyun Vehicles Transportation Company Limited	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Meizhou Vehicles Passenger Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Xingning Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Dapu Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Wuhua Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Pingyuan Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Jiaoning Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Meizhou Jiangnan Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Meizhou Vehicle Materials Supply Co., Ltd.	Guangdong China	Guangdong China	Sales of auto spare parts	100.00	100.00	Business combinations involving entities under common control
Dapu Yueyun Motor Inspection Co., Ltd.	Guangdong China	Guangdong China	Vehicle Inspection	51.00	51.00	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Shenzhen City Man Kam To Bus station Co., Ltd.	Guangdong China	Guangdong China	Station services	100.00	100.00	Established
Chaozhou City Yueyun Vehicle Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Raoping Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Chaozhou City Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Chaozhou City Yueyun Junma Tourism Transportation Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	55.00	55.00	Business combinations involving entities under common control
Chaozhou City Hongyun Travel Service Co., Ltd.	Guangdong China	Guangdong China	Tourism services	51.28	51.28	Business combinations involving entities under common control
Chaozhou City Changyun Service Co., Ltd.	Guangdong China	Guangdong China	Hotel service	100.00	100.00	Business combinations involving entities under common control
Zhuhai Gongyun Coach Terminal Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(1) Details in subsidiaries (continued)

Full name of the subsidiary	Principal place of business	Registered place	Business nature	Direct & indirect shareholding ratio (%)	Voting rights percentage (%)	Established or acquired
Zuhai Gongqi Taxi Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Zuhai Qiguan Sightseeing Bus Co., Ltd.	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations involving entities under common control
Shaoguan Jitongtu Motor Transportation Co., Ltd	Guangdong China	Guangdong China	Domestic Transportation	100.00	100.00	Business combinations not involving entities under common control
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	Guangdong China	Guangdong China	Petrol station	51.00	51.00	Business combinations not involving entities under common control
Guangdong FLY-E Logistics Technology Co., Ltd.	Guangdong China	Guangdong China	Business service	51.72	51.72	Business combinations not involving entities under common control

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

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(2) Significant non-wholly owned subsidiaries

Name of subsidiary	Minority shareholder's shareholding ratio (%)	Profit or loss attributable to minority interests in the current period	Dividends distributed to minority shareholder in the current period	Closing balance of minority interests
The Motor Transport Company of Guangdong and Hong Kong Limited (Hong Kong)	38.00	(15,174,188.21)	–	88,500,610.77
Foshan City Yueyun Public Transportation Co., Ltd.	49.00	486,163.34	1,165,993.37	149,756,541.62
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	40.38	(9,820,346.97)	–	79,222,547.80
Guangdong Yueyun Langri Co., Ltd.	49.00	(26,181,630.89)	–	129,168,409.27
Heyuan City Yueyun Motor Transportation Co., Ltd.	44.72	(12,985,696.97)	–	46,221,070.32
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	33.61	(10,385,941.34)	17,210,925.00	137,678,530.10
Shaoguan Yueyun Vehicles Transportation Co., Ltd.	40.31	(6,858,141.87)	–	105,971,918.72
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	49.00	31,781,127.84	–	112,039,398.51

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2 Interests in joint arrangements or associates

(1) Significant joint ventures or associates

Name of joint venture or associates	Principal place of business	Registered place	Business nature	Shareholding ratio (%)	Accounting method for investment in joint ventures or associates	Strategic to the Company's activities
Guangdong Zhongyou Top-E Energy Trading Company Limited	Guangdong China	Guangdong China	Petrol station	51.00	Equity method	Yes
Zuhai Yuegong Xinhai Transportation Co., Ltd.	Guangdong China	Guangdong China	Road transportation	49.00	Equity method	Yes
Southern United Assets and Equity Exchange Company Limited	Guangdong China	Guangdong China	Property exchange	25.00	Equity method	Yes
Shenzhen Yueyun Investment Development Company Limited	Guangdong China	Guangdong China	Passenger terminal operation	20.00	Equity method	Yes
Shantou City Automobile Terminal Co., Ltd.	Guangdong China	Guangdong China	Passenger terminal operation	35.00	Equity method	Yes
Guangzhou City Tianhe Coach Terminal Co., Ltd.	Guangdong China	Guangdong China	Station services	20.00	Equity method	Yes
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd.	Hong Kong China	Hong Kong China	Transportation	20.00	Equity method	Yes
CNPC Yueyun Natural Gas Co., Ltd.	Guangdong China	Guangdong China	Gas wholesale and retail	24.00	Equity method	Yes

As at 30 June 2021, the details of movement analysis in investment in joint ventures and associates of the Company is disclosed in Note V.2 Long-term equity investments.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

1 Information on the parent of the Group

Parent company	Registered place	Business nature	Registered share capital	Shareholding percentage (%)	Voting rights percentage (%)
GCGC	Guangdong China	Investment Management	26,800,000,000.00	74.12	74.12

2 Information on the subsidiaries of the Group

Details on the subsidiaries of the Group is disclosed in Note VII Interests in Other Entities.

3 Information on the joint ventures and associates of the Group

Details on significant joint ventures and associates of the Group is disclosed in Note VII Interests in Other Entities.

4 Information on other related parties

Other related parties	Related party relationships
Guangdong Bo-Da Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Chao-Hui Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Chaoshan Circle Line Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Da-chao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Oriental Thought Technology Company Limited	Controlled by the ultimate holding company
Guangdong Gaoen Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guangfozhao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guanghui Expressway Company Limited	Controlled by the ultimate holding company

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

4 Information on other related parties (continued)

Other related parties	Related party relationships
Guangdong Guangle Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guangzhu Expressway West Section Company Limited	Controlled by the ultimate holding company
Guangdong Humen Bridge Company Limited	Controlled by the ultimate holding company
Guangdong Hui-qing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Jiangzhong Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Jiaoke Testing Company Limited	Controlled by the ultimate holding company
Guangdong Communication Enterprise Investment Company Limited	Controlled by the ultimate holding company
Guangdong Kai Yang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Litong Technology Investment Company Limited	Controlled by the ultimate holding company
Guangdong Litong Properties Investment Company Limited	Controlled by the ultimate holding company
Guangdong Union Electronic Service Company Limited	Controlled by the ultimate holding company
Guangdong Luo-Yang Expressway	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 Meiping Expressway Company Limited	Controlled by the ultimate holding company
Guangdong South China Logistics Enterprise Company Limited	Controlled by the ultimate holding company

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

4 Information on other related parties (continued)

Other related parties	Related party relationships
Guangdong Ninghua Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Ping-Xing Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Shanfen Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Expressway Development Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Freeway Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Highway Construction Company Limited	Controlled by the ultimate holding company
Guangdong Province Gongbei Vehicles Transportation Company Limited	Controlled by the ultimate holding company
Guangdong Provincial Communication Group Finance Company Limited	Controlled by the ultimate holding company
Guangdong Province Road & Bridge Construction Development Company Limited	Controlled by the ultimate holding company
Guangdong Taishan Coastal Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Xinyue Communications Investment Company Limited	Controlled by the ultimate holding company
Guangdong Yang-Mao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Yuetongbao E-commerce Company Limited	Controlled by the ultimate holding company
Guangdong Zhaoyang Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Zi-hui Expressway Company Limited	Controlled by the ultimate holding company

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

4 Information on other related parties (continued)

Other related parties	Related party relationships
Guangfo Expressway Company Limited	Controlled by the ultimate holding company
Guang-Shen-Zhu Expressway Company Limited	Controlled by the ultimate holding company
Heyuan He-Long Expressway Company Limited	Controlled by the ultimate holding company
Jingzhu Expressway Guangzhu Section Company Limited	Controlled by the ultimate holding company
Kee Kwan Motor Road Company Limited	Controlled by the ultimate holding company
Weisheng Freight Company Limited	Controlled by the ultimate holding company
Yangjiang Yueyun Langri Real Estate Development Company Limited	Controlled by the ultimate holding company
Yunfu City Guangyun Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Chao-Hui Expressway Company Limited Yue-dong Branch	Controlled by the ultimate holding company
Guangdong Jiangzhao Expressway Control Center	Other related party of the ultimate holding company
Zhaoqing Yuezhao Expressway Company Limited	Joint ventures of the ultimate holding company
Poly Changda Engineering Company Limited	Associate of the ultimate holding company
Foshan Guang-San Expressway Company Limited	Associate of the ultimate holding company
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Associate of the ultimate holding company
Lufeng Shen-Shan Expressway Services Company Limited	Associate of the ultimate holding company
Shaoguan City Danxia Tour Bus Company Limited	Associate of the ultimate holding company

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year

(1) Transactions with related parties on purchases, provide and receipt of services

(a) Details of Purchases and receipt of services

Related parties	Nature	Amount for the period	Amount for the previous period
Guangdong South China Logistics Enterprise Company Limited	Purchase of materials	22,211,722.90	66,118,704.14
Guangdong Yuehuahui Business Management Company Limited	Purchase of materials	8,724,590.90	6,778,398.28
Guangdong Guanye Yueyun Natural Gas Co., Ltd.	Purchase of materials	1,694,650.66	6,236,443.83
Shaoguan Libao Technology Company Limited	Purchase of materials	112,840.00	1,140,379.30
Other related parties	Purchase of materials	–	271,884.67
Guangdong Humen Bridge Company Limited	Receipt of service	2,400,000.00	2,400,000.00
Other related parties	Receipt of service	3,098,819.45	1,817,956.85
Total		<u>38,242,623.91</u>	<u>84,763,767.07</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(1) Transactions with related parties on purchases, provide and receipt of services (continued)

(b) Details of Sales and rendering of services

Related parties	Nature	Amount for the period	Amount for the previous period
Poly Changda Engineering Company Limited	Materials logistics service income	–	316,119.91
Express Cross-Border Coach Management Company Limited	Logistic service income	–	2,257,672.93
Other related parties	Logistics service income	340,903.89	2,977,686.84
Other related parties	Maintenance income	669,774.80	437,234.07
Other related parties	Rendering of other services income	2,785,101.23	21,560,502.76
Guangdong Province Road & Bridge Construction Development Company Limited	Road rescue service income	8,887,787.10	7,460,250.00
Guangdong Provincial Freeway Company Limited	Road rescue service income	3,638,555.44	4,546,096.74
Guangle Expressway Company Limited	Road rescue service income	2,941,980.41	2,101,415.09
Guangdong Provincial Highway Construction Company Limited	Road rescue service income	2,879,762.04	2,104,471.68
Guangdong Chao-hui Expressway Company Limited	Road rescue service income	2,205,873.90	1,745,518.87

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(1) Transactions with related parties on purchases, provide and receipt of services (continued)

(b) Details of Sales and rendering of services (continued)

Related parties	Nature	Amount for the period	Amount for the previous period
Guangdong Guangfozhao Expressway Company Limited	Road rescue service income	1,732,351.40	1,237,393.87
Guangdong Guanghui Expressway Company Limited	Road rescue service income	1,234,905.64	–
Guangdong Bo-Da Expressway Company Limited	Road rescue service income	1,233,190.99	1,054,323.11
Guang dong Maozhan Expressway Company Limited	Road rescue service income	1,056,367.95	1,247,405.70
Guangdong Huiqing Expressway Company Limited	Road rescue service income	1,044,000.00	–
Guangdong Da-chao Expressway Company Limited	Road rescue service income	854,490.54	–
Guangdong Meihe Expressway Company Limited	Road rescue service income	850,648.57	1,020,778.30
Other related parties	Road rescue service income	9,068,704.56	8,449,995.48
Total		<u>41,424,398.46</u>	<u>58,516,865.35</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties

(a) Details of contracting expenses of the Group

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guangdong Provincial Freeway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2003/4/3	2026/10/28	Negotiated price	8,398,961.38
Guangdong Provincial Road & Bridge Construction Development Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2007/1/1	2034/1/12	Negotiated price	7,925,885.27
Guangdong Provincial Highway Construction Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2011/1/1	2035/12/31	Negotiated price	6,079,155.02
Guangdong Guangle Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2014/9/27	2039/9/26	Negotiated price	5,240,888.54
Guangdong Ninghua Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2017/9/28	2042/9/27	Negotiated price	5,237,015.34
Guangdong Guangzhu Expressway West Section Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2013/1/25	2038/1/23	Negotiated price	5,022,066.26

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guangdong Chao-Hui Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2015/12/30	2041/12/31	Negotiated price	4,254,471.09
Guangdong Guangfozhao Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2017/1/1	2041/12/31	Negotiated price	3,847,549.11
Guangdong Kai Yang Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2003/9/3	2027/7/23	Negotiated price	3,268,804.11
Guangdong Hui-qing Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2020/10/18	Termination date of highway toll	Negotiated price	3,250,000.00
Guang-Shen-Zhu Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2017/12/1	2027/6/30	Negotiated price	3,147,102.68
Guangdong Maozhan Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2009/11/27	2029/11/26	Negotiated price	2,484,674.31

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(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guangdong Bo-Da Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2014/12/28	2039/12/27	Negotiated price	2,124,536.15
Guangdong Meihe Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2005/12/21	2033/10/2	Negotiated price	1,739,929.83
Guangdong Gaoen Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2019/3/31	2043/12/31	Negotiated price	1,560,630.72
Guangdong Yang-Mao Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2004/12/1	Termination date of highway toll	Negotiated price	1,503,967.87
Guangdong Provincial Expressway Development Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	Completion date of construction project	Termination date of highway toll	Negotiated price	1,371,921.10
Guangdong Zhaoyang Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2011/1/1	2033/12/31	Negotiated price	1,174,488.28

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guangdong Jiangzhong Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2005/11/8	2027/11/7	Negotiated price	1,076,647.71
Guangdong Luo-Yang Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2016/10/31	2041/10/30	Negotiated price	1,025,623.42
Guangdong Ping-Xing Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2015/12/31	2040/12/30	Negotiated price	936,988.63
Guangdong Shanfen Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2009/1/1	2025/11/23	Negotiated price	920,998.95
Yunfu City Guangyun Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2004/12/24	2027/12/23	Negotiated price	688,514.13
Heyuan He-Long Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2005/6/8	2032/12/31	Negotiated price	653,937.34

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Zhaoqing Yuezhao Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2004/1/5	2031/11/22	Negotiated price	520,278.95
Guangdong Meiping Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2019/8/30	2044/8/29	Negotiated price	300,700.24
Guangdong Taishan Coastal Expressway Company Limited	Guangdong Top-E Expressway Service Zone Company Limited	Station management contracting	2004/1/1	2028/12/31	Negotiated price	212,094.52
Guangdong Guangzhu Expressway West Section Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2013/12/1	2023/11/30	Negotiated price	4,804,141.62
Guangdong Provincial Freeway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2010/1/27	Termination date of highway toll	Negotiated price	1,830,359.65
Jingzhu Expressway Guangzhu Section Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/1/1	2030/5/12	Negotiated price	1,601,571.54

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guang-Shen-Zhu Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2017/12/1	2027/6/30	Negotiated price	1,085,641.87
Guangfo Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/1/1	Termination date of highway toll	Negotiated price	821,726.49
Guangdong Provincial Highway Construction Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2008/9/1	Termination date of highway toll	Negotiated price	700,926.45
Guangdong Province Road & Bridge Construction Development Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/7/15	Termination date of highway toll	Negotiated price	611,729.22
Guangdong Humen Bridge Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2018/7/21	2023/7/20	Negotiated price	545,865.36
Guangdong Jiangzhong Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2017/9/18	Termination date of highway toll	Negotiated price	528,072.60

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guangdong Jiangzhao Expressway Control Center	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2014/1/1	Termination date of highway toll	Negotiated price	435,988.87
Guangdong Maozhan Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2016/5/31	Termination date of highway toll	Negotiated price	376,909.49
Guangdong Kai Yang Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2008/7/24	2027/7/23	Negotiated price	253,512.03
Guangdong Jingzhu Expressway Guangzhu North Section Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2010/7/1	2030/6/30	Negotiated price	180,039.65
Guangdong Yangmao Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2008/7/23	2027/7/22	Negotiated price	130,320.32
Guangdong Meihe Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/4/23	Termination date of highway toll	Negotiated price	117,438.61

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Yunfu City Guangyun Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2011/10/22	2021/10/21	Negotiated price	97,977.70
Heyuan He-Long Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/4/1	Termination date of highway toll	Negotiated price	75,575.39
Guangdong Guangle Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2015/9/14	Termination date of highway toll	Negotiated price	73,960.00
Guangdong Chao-Hui Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2018/9/1	Termination date of highway toll	Negotiated price	46,500.00
Guangdong Ninghua Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2018/1/3	Termination date of highway toll	Negotiated price	36,000.00
Guangdong Shanfen Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2012/4/11	Termination date of highway toll	Negotiated price	22,535.94

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(a) Details of contracting expenses of the Group (continued)

Consignor	Contractor	Contract type	Commencement date	Maturity Date	Pricing basis of management income/contracting income	Management expenses/contracting expenses during the period
Guangdong Chao-Hui Expressway Company Limited	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/1/1	Termination date of highway toll	Negotiated price	12,741.67
Weisheng Transportation Enterprises Company Limited	The Motor Transport Company of Guangdong and Hong Kong Limited	Passenger transportation contracting fee	2021/1/1	2023/12/31	Negotiated price	1,255,290.00
Weisheng Transportation Enterprises Company Limited	The Motor Transport Company of Guangdong and Hong Kong Limited	Passenger transportation contracting Disbursements of passenger transportation contracting	2021/1/1	2023/12/31	Negotiated price	345,162.88

Note: Contracting fee include depreciation expense of right-of-use assets, interest expenses of lease liabilities and variable lease payments not recognise in lease liabilities.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(2) Contracting and outsourcing with related parties (continued)

(b) Details of outsourcing contract of the Group

Trustor name	Trustee name	Nature	Trust/ Outsourcing Start date	Trust/ Outsourcing End date	Custody fee/ Outsourcing expenses pricing by	Current year custody fee/ outsourcing amount
Motor Transport Company Of Guangdong And Hong Kong Limited	Weishing Transportation & Enterprise Company Limited	Freight outsourcing income	2021/1/1	2023/12/31	Negotiated price	2,304,712.44
Motor Transport Company Of Guangdong And Hong Kong Limited	Weishing Transportation & Enterprise Company Limited	Disbursement freight outsourcing expenses	2021/1/1	2023/12/31	Negotiated price	1,414,954.36

(3) Leasing with related parties

(a) The Group as the lessor

Name of lessee	Type of leased asset	Relevant fees recognized from leasing for the period	Relevant fees recognized from leasing for the previous period
Guangdong South China Logistics Enterprise Company Limited	Building and structures	778,266.66	1,111,972.27
Other	Other	760,922.50	705,985.72
Total		<u>1,539,189.16</u>	<u>1,817,957.99</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(3) Leasing with related parties (continued)

(b) The Group as the lessee

Lessor name	Nature	Closing balance	Balance at the end of previous year
Guangdong Litong Properties Investment Company Limited	Building and structures	3,084,642.69	4,302,075.00
Other	Other	312,634.04	1,369,304.67
Total		<u>3,397,276.73</u>	<u>5,671,379.67</u>

Note: Lease expense was included the depreciation of right-on-use right, lease liability interest expenses and short-term lease expenses.

(4) Guarantee with related parties

As in Note V.11, GCGC provided an unconditional and irrecoverable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(5) Borrowings from or lending to related parties

Related parties	Amount of borrowing or lending	Commencement date	Maturity date
Guangdong Provincial Communication Group Finance Company Limited	1,000,000.00	2018/9/21	2021/6/21
Guangdong Provincial Communication Group Finance Company Limited	24,000,000.00	2018/9/21	2021/9/20
Guangdong Provincial Communication Group Finance Company Limited	1,000,000.00	2019/8/8	2021/6/21
Guangdong Provincial Communication Group Finance Company Limited	31,000,000.00	2019/8/8	2022/8/7
Guangdong Provincial Communication Group Finance Company Limited	1,000,000.00	2017/7/25	2027/7/24
Guangdong Provincial Communication Group Finance Company Limited	15,000,000.00	2018/1/25	2028/1/24
Guangdong Provincial Communication Group Finance Company Limited	5,000,000.00	2018/5/28	2028/5/27
Guangdong Provincial Communication Group Finance Company Limited	15,000,000.00	2018/8/9	2028/8/8
Guangdong Provincial Communication Group Finance Company Limited	18,500,000.00	2020/1/23	2023/1/22
Guangdong Provincial Communication Group Finance Company Limited	500,000.00	2017/7/25	2021/6/21

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(5) Borrowings from or lending to related parties (continued)

Related parties	Amount of borrowing or lending	Commencement date	Maturity date
Guangdong Provincial Communication Group Finance Company Limited	500,000.00	2020/1/23	2021/6/21
Guangdong Provincial Communication Group Finance Company Limited	38,000,000.00	2019/12/24	2021/1/8
Guangdong Provincial Communication Group Finance Company Limited	30,000,000.00	2020/1/13	2021/1/8
Guangdong Provincial Communication Group Finance Company Limited	6,000,000.00	2020/12/22	2021/3/9
Guangdong Provincial Communication Group Finance Company Limited	32,000,000.00	2020/12/22	2021/3/9
Guangdong Provincial Communication Group Finance Company Limited	66,400,000.00	2020/12/22	2021/3/9
Guangdong Provincial Communication Group Finance Company Limited	4,000,000.00	2020/12/23	2021/4/9
Guangdong Provincial Communication Group Finance Company Limited	4,000,000.00	2020/12/23	2021/6/21
Guangdong Provincial Communication Group Finance Company Limited	6,000,000.00	2020/12/23	2021/11/25
Guangdong Provincial Communication Group Finance Company Limited	2,000,000.00	2020/12/23	2021/4/9
Guangdong Provincial Communication Group Finance Company Limited	2,000,000.00	2020/12/23	2021/6/21

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(5) Borrowings from or lending to related parties (continued)

Related parties	Amount of borrowing or lending	Commencement date	Maturity date
Guangdong Provincial Communication Group Finance Company Limited	10,000,000.00	2020/12/23	2023/12/10
Guangdong Provincial Communication Group Finance Company Limited	2,000,000.00	2019/12/26	2021/4/9
Guangdong Provincial Communication Group Finance Company Limited	2,000,000.00	2019/12/26	2021/6/21
Guangdong Provincial Communication Group Finance Company Limited	22,000,000.00	2019/12/26	2024/12/25
Guangdong Provincial Communication Group Finance Company Limited	17,000,000.00	2020/1/15	2023/1/14
Guangdong Provincial Communication Group Finance Company Limited	1,000,000.00	2020/1/15	2021/6/21

(6) Interest income

Related parties	Description	Amount for the period	Amount for the previous period
Guangdong Provincial Communication Group Finance Company Limited	Interest income from deposit	<u>3,949,993.24</u>	<u>4,698,281.77</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(7) Interest expenses

Related parties	Description	Amount for the period	Amount for the previous period
Guangdong Provincial Communication Group Finance Company Limited	Interest expenses from loan	5,005,772.48	14,399,633.87
Shaoguan City Libao Technology Company Limited	Interest expense from cash pool	1,234.45	1,443.37
Total		<u>5,007,006.93</u>	<u>14,401,077.24</u>

(8) Deposit transactions with Group Finance Company

Name	Closing balance	Balance at the end of previous year
Guangdong Provincial Communication Finance Group Company Limited	<u>427,517,250.83</u>	<u>543,623,211.15</u>

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 2021 and 2020, 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, the group audited items in "Cash at bank and on hand".

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5 Significant transactions between the Group and its related parties for the year (continued)

(9) Arrangement on cash pool transactions

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 2021 and 2020 the above deposit interest rates ranged from 0.3% to 0.35%. Please refer to Note VIII.6(2) "Other payables-Cash pool" regarding related parties' cash pool accounts information and Note VIII.5(7) regarding relevant interest expenses.

(10) Trademark

The trademark rights of "Yueyun" of Guangdong Vehicles Transportation Group Co., Ltd., was free of charge provided to some associates to usage during the current and previous periods.

(11) 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. Since year 2018, the road and bridge tolls fees was settled by Guangdong Lianhe Electric Services Company Limited companies held by GCGC.

(12) Compensation for key management personnel

	Amount for the period	Amount for the previous period
Compensation for key management personnel	<u>2,963,557.33</u>	<u>2,766,586.76</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties

(1) Amount due from related parties

	Related parties	Closing balance		Balance at the end of previous year	
		Amount	Provision for bad debts	Amount	Provision for bad debts
Accounts receivable	Guangdong Jiaoke Testing Co., Ltd.	37,323,856.00	(2,463,326.40)	30,604,600.00	(1,530,230.00)
	Guangdong Humen Bridge Co., Ltd.	18,362,507.07	(918,125.35)	5,118,048.40	(310,348.71)
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	7,875,758.06	(518,193.36)	5,480,861.26	(282,727.09)
	Guangdong Meihe Expressway Co., Ltd.	2,129,473.66	(826,516.48)	1,600,095.97	(800,047.99)
	Guangzhou Newsoft Technology Co., Ltd.	2,016,878.00	(170,366.95)	483,100.00	(24,155.00)
	Guangdong Provincial Freeway Co., Ltd.	3,467,975.05	(848,399.58)	2,474,724.15	(1,064,394.03)
	Guangdong Guanghui Expressway Co., Ltd.	1,674,525.64	(80,392.23)	153,129.00	(7,656.45)
	Guangdong Maozhan Expressway Co., Ltd.	1,409,622.80	(70,481.14)	353,254.85	(17,662.74)
	Guangdong Guangle Expressway Co., Ltd.	1,292,548.96	(68,197.45)	507,533.58	(25,376.68)
	Guangdong South Passenger Network Center Co., Ltd.	1,291,009.07	(50,837.84)	2,022,367.76	(101,118.42)
	Guangdong Provincial Highway Construction Co., Ltd.	1,144,536.60	(57,226.83)	402,659.33	(20,132.97)
Others	12,224,061.49	(1,135,708.64)	4,845,754.76	(432,229.72)	
	Total	90,212,752.40	(7,207,772.25)	54,046,129.06	(4,616,079.80)
Prepayments	Guangdong South China Logistics Enterprise Co., Ltd.	5,162,046.41	-	12,681,293.28	-
	Guangdong Guangzhu Expressway West Section Co., Ltd.	3,138,051.71	-	-	-
	Guangdong Union Electronic Service Co., Ltd.	1,424,644.30	-	3,303,693.49	-
	Guangdong Yuetongbao E-commerce Co., Ltd.	337,947.64	-	830,739.34	-
	CNPC Yueyun Natural Gas Co. Ltd.	667,856.87	-	-	-
	Guangdong Oriental Thought Technology Co., Ltd.	377,565.66	-	377,565.66	-
	Others	622,873.89	-	2,287,766.65	-
		Total	11,730,986.48	-	19,481,058.42

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties (continued)

(1) Amount due from related parties (continued)

	Related parties	Closing balance		Balance at the end of previous year	
		Amount	Provision for bad debts	Amount	Provision for bad debts
Other receivables	Guangdong Chaoshan Circle Line Expressway Co., Ltd.	8,003,895.41	-	8,003,895.41	-
	Shantou City Automobile Passenger Traffic Center Co., Ltd.	4,169,368.79	4,169,368.79	4,221,868.79	4,221,868.79
	Guang-Shen-Zhu Expressway Co., Ltd.	3,593,450.00	3,585,050.00		
	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	1,771,737.27	933,614.51	1,867,229.02	1,810,093.25
	Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	1,096,106.81	541,356.45	1,107,895.35	1,082,557.23
	Guangdong Union Electronic Service Co., Ltd.	2,810,872.10	3,711.20	3,003,657.27	6,223.64
	Guangdong Guangzhu Expressway West Section Co., Ltd.	1,688,300.00	-	1,688,300.00	-
	Guangdong South Passenger Network Center Co., Ltd.	1,581,140.05	86,865.48	150,769.64	7,172.11
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	1,723,166.74	-	1,722,099.37	-
	Lufeng Shen-Shan Expressway Services Co., Ltd.	1,000,000.00	-	-	-
	Guangdong Maozhan Expressway Co., Ltd.	1,200,000.00	-	1,000,000.00	-
	Guangdong Guangfozhao Expressway Co., Ltd.	900,000.00	-	900,000.00	-
	Heyuan City Yueyun New Energy Co., Ltd.	769,927.50	38,496.38	-	-
	Guangdong Provincial Highway Construction Co., Ltd.	1,020,000.00	-	1,020,000.00	-
	Shaoguan Danxia Tourist Bus Co., Ltd.	658,178.20	32,908.91	137,122.47	6,856.12
	Guangdong Provincial Freeway Co., Ltd.	922,125.00	-	2,190,781.87	-
	Shenzhen Yueyun Investment Development Co., Ltd.	594,003.41	26,078.48	514,276.09	-
	Guangdong Guangye Yueyun Natural Gas Co., Ltd.	504,782.53	102,391.27	504,782.53	10,239.13
	Guangdong Yang-Mao Expressway Co., Ltd.	500,000.00	-	500,000.00	-
	Others	5,042,673.90	219,914.89	11,528,376.39	226,399.03
	Total	39,549,727.71	6,154,706.36	43,646,104.20	7,371,409.30
Dividends receivables	Southern United Assets & Equity Exchange Co., Ltd.	15,276,787.31	-	15,276,787.31	-
Other non-current assets	Guangzhou Tianhe Coach Terminal Co., Ltd.	9,600,000.00	-	9,600,000.00	-

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties (continued)

(2) Amount due to related parties

	Related parties	Closing balance	Balance at the end of previous year
Accounts payable	Guang-Shen-Zhu Expressway Co., Ltd.	6,566,315.06	10,813,307.86
	Guangdong Provincial Freeway Co., Ltd.	7,519,996.03	9,555,330.49
	Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd	–	5,432,648.05
	Guangdong Guangzhu Expressway West Section Co., Ltd.	–	2,582,394.10
	Guangdong Zihui Expressway Co., Ltd.	5,020,000.00	–
	Guangdong Huiqing Expressway Co., Ltd.	4,123,832.00	833,332.00
	Guangdong Humen Bridge Co., Ltd.	3,866,346.58	2,029,153.84
	Guangdong Yuehuahui Business Management Co., Ltd.	3,041,823.51	2,871,370.70
	Guangdong Union Electronic Service Co., Ltd.	2,055,664.04	1,869,289.50
	Foshan Guangsan Expressway Co., Ltd.	2,040,620.14	2,324,851.64
	Guangdong Chao-Hui Expressway Co., Ltd.	1,647,900.00	1,114,695.53
	Poly Changda Engineering Co., Ltd.	1,621,758.03	1,782,720.87
	Guangdong Provincial Highway Construction Co., Ltd.	1,566,596.49	1,556,140.32
	Jingzhu Expressway Guangzhu Section Co., Ltd.	1,407,065.63	2,656,320.47
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	1,403,486.33	1,743,018.19
	Guangdong Spring Tide Expressway Co., Ltd.	1,340,000.00	–
	Guangfo Expressway Co., Ltd.	1,260,037.04	2,118,420.99
Guangdong Maozhan Expressway Co., Ltd.	755,355.24	1,117,173.04	
Others	5,748,496.85	6,297,740.76	
	Total	50,985,292.97	56,697,908.35

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties (continued)

(2) Amount due to related parties (continued)

	Related parties	Closing balance	Balance at the end of previous year
Advances from customers	Guangdong Yuehuahui Business Management Co., Ltd.	380,700.00	–
	Guangdong Xinyue Communications Investment Co., Ltd.	283,376.93	283,376.93
	Guangdong Ninghua Expressway Co., Ltd.	184,093.05	–
	Guangdong Huiqing Expressway Co., Ltd.	167,433.94	–
	Guangdong South Passenger Network Center Co., Ltd.	–	243,045.74
	Others	261,471.45	24,540.00
	Total	<u>1,277,075.37</u>	<u>550,962.67</u>
Contract liabilities	Guangdong Provincial Highway Construction Co., Ltd.	2,153,282.88	2,256,335.19
	Guangdong South Passenger Network Center Co., Ltd.	404,089.62	–
	Guangdong Chao-Hui Expressway Co., Ltd.	–	884,959.14
	Guangdong Provincial Freeway Co., Ltd.	–	624,736.84
	Others	545,959.80	2,159,649.67
	Total	<u>3,103,332.30</u>	<u>5,925,680.84</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties (continued)

(2) Amount due to related parties (continued)

	Related parties	Closing balance	Balance at the end of previous year
Other payables	Guangdong Province Gongbei Vehicles Transportation Co., Ltd.	12,745,679.16	14,419,022.61
	Guangdong Provincial Communication Group Co., Ltd.	2,944,346.83	2,944,346.83
	Guangdong Union Electronic Service Co., Ltd.	2,506,816.03	2,098,341.74
	Shaoguan Yuehong Bus Station Co., Ltd.	2,003,330.30	2,005,828.30
	Guangzhou Yueyun Software Technology Co., Ltd.	1,843,502.00	65,500.00
	Shenzhen Yueyun Investment Development Co., Ltd.	1,572,995.13	1,021,548.11
	Kee Kwan Motor Road Co., Ltd.	1,418,975.18	535,861.81
	Guangdong Litong Properties Investment Co., Ltd.	1,069,014.00	1,529,539.20
	Shaoguan Libao Technology Co., Ltd.	961,500.68	631,329.28
	Others	3,784,000.23	2,716,940.37
	Total	<u>30,850,159.54</u>	<u>27,968,258.25</u>
Other payables – cash pool	Shaoguan Libao Technology Co., Ltd.	622,884.54	2,036,884.26
	Yangjiang Yueyun Langri Real Estate Development Co., Ltd.	180,313.38	240,256.11
	Total	<u>803,197.92</u>	<u>2,277,140.37</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties (continued)

(2) Amount due to related parties (continued)

	Related parties	Closing balance	Balance at the end of previous year
Lease liabilities	Guangdong Province Road & Bridge Construction Development Co., Ltd.	130,717,883.57	134,815,000.06
	Guangdong Provincial Freeway Co., Ltd.	122,866,271.44	120,883,774.81
	Guangdong Provincial Highway Construction Co., Ltd.	118,253,221.93	121,769,113.42
	Guangdong Guangle Expressway Co., Ltd.	91,080,696.86	97,027,854.13
	Guangdong Ninghua Expressway Co., Ltd.	70,070,609.56	17,752,702.87
	Guangdong Chao-Hui Expressway Co., Ltd.	69,553,237.26	72,971,481.48
	Guangdong Guangzhu Expressway West Section Co., Ltd.	55,000,340.41	62,725,116.63
	Guang-Shen-Zhu Expressway Co., Ltd.	53,645,910.24	74,724,664.62
	Guangdong Maozhan Expressway Co., Ltd.	42,756,798.03	43,803,669.02
	Guangdong Guangfozhao Expressway Co., Ltd.	40,454,168.16	42,755,620.34
	Guangdong Bo-Da Expressway Co., Ltd.	38,867,834.82	39,869,013.98
	Guangdong Kai Yang Expressway Co., Ltd.	37,987,533.76	37,117,872.64
	Guangdong Gaoen Expressway Co., Ltd.	32,569,671.57	34,282,515.28
	Guangdong Meihe Expressway Co., Ltd.	28,055,592.93	27,442,578.55
	Guangdong Provincial Expressway Development Co., Ltd.	25,134,107.46	24,368,243.29
	Guangdong Zhaoyang Expressway Co., Ltd.	21,882,306.06	21,253,203.20
	Guangdong Luo-Yang Expressway Co., Ltd.	21,355,032.20	20,850,923.56
	Guangdong Ping-Xing Expressway Co., Ltd.	20,223,966.46	19,759,089.67
	Guangdong Yang-Mao Expressway Co., Ltd.	18,462,967.26	21,193,510.09
	Jingzhu Expressway Guangzhu Section Co., Ltd.	18,206,334.03	17,710,475.57
	Heyuan He-Long Expressway Co., Ltd.	10,802,512.68	10,501,500.26
	Guangdong Jiangzhong Expressway Co., Ltd.	10,507,364.69	12,618,807.10
	Guangdong Shanfen Expressway Co., Ltd.	10,117,251.01	9,906,836.69
	Guangdong Litong Properties Investment Co., Ltd.	9,759,077.96	
	Zhaoqing Yuezhao Expressway Co., Ltd.	8,770,468.07	8,525,887.73
	Guangdong Meiping Expressway Co., Ltd.	6,642,767.49	6,488,311.54
	Yunfu City Guangyun Expressway Co., Ltd.	5,442,684.72	6,542,129.55
	Guangdong Taishan Coastal Expressway Co., Ltd.	2,911,235.37	2,836,518.82
	Guangdong Jingzhu Expressway Guangzhu North Section Co., Ltd.	2,682,856.75	3,079,049.41
	Guangdong Humen Bridge Co., Ltd.	517,346.58	510,374.77
	Shenzhen Yueyun Investment Development Co., Ltd.	-	620,351.64
	Total	1,125,298,049.33	1,114,706,190.72

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

VIII. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6 Amounts due from/to related parties (continued)

(2) Amount due to related parties (continued)

	Related parties	Closing balance	Balance at the end of previous year
Non-current liabilities due within one year	Guangdong Provincial Freeway Co., Ltd.	12,731,795.13	12,545,341.44
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	8,323,669.61	8,116,764.04
	Guang-Shen-Zhu Expressway Co., Ltd.	8,008,900.74	10,279,417.17
	Guangdong Litong Properties Investment Co., Ltd.	6,004,189.98	–
	Guangdong Kai Yang Expressway Co., Ltd.	5,873,083.51	5,735,004.05
	Guangdong Guangzhu Expressway West Section Co., Ltd.	5,771,989.54	5,590,426.64
	Guangdong Provincial Highway Construction Co., Ltd.	4,678,813.44	4,561,848.00
	Guangdong Guangle Expressway Co., Ltd.	2,964,069.13	2,870,074.20
	Guangdong Chao-Hui Expressway Co., Ltd.	2,656,911.12	2,590,746.49
	Guangdong Maozhan Expressway Co., Ltd.	2,577,498.60	2,511,784.78
	Guangdong Shanfen Expressway Co., Ltd.	2,188,370.23	2,136,037.32
	Guangdong Ninghua Expressway Co., Ltd.	2,103,297.54	4,744,056.66
	Guangdong Yang-Mao Expressway Co., Ltd.	2,071,115.07	2,009,620.68
	Guangdong Jiangzhong Expressway Co., Ltd.	1,816,568.06	1,773,126.46
	Guangdong Meihe Expressway Co., Ltd.	1,776,889.51	1,559,716.80
	Guangdong Bo-Da Expressway Co., Ltd.	1,445,396.88	1,404,790.92
	Jingzhu Expressway Guangzhu Section Co., Ltd.	1,309,605.77	1,270,755.24
	Guangdong Guangfozhao Expressway Co., Ltd.	1,277,160.33	1,246,618.18
	Others	7,346,770.27	7,944,697.65
		Total	80,926,094.46

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

IX. COMMITMENTS

1 Commitments

(1) Capital commitments

	Closing balance	Balance at the end of previous year
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	139,481,790.95	95,678,778.04
– Commitment for large amount contracts	19,558,695.20	–
Capital commitments that have been approved but have not been entered into contracts	21,780,000.00	120,798,288.67
Total	180,820,486.15	216,477,066.71

X. OTHER SIGNIFICANT INFORMATION

1 Prior year adjustment

No significant prior year adjustment during the period.

2 Leases

(1) As a lessee

	Amount for the period	Amount for the previous period
Short-term lease expenses applied the practical expedient	11,156,285.58	25,012,616.74
Variable lease payments not included in the measurement of lease liabilities	4,499,553.93	12,316,675.59
Income from sub-leasing right-of use assets	226,565,709.27	262,763,590.86
Total cash outflow for leases	154,701,889.89	152,954,728.38

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

X. OTHER SIGNIFICANT INFORMATION (CONTINUED)

2 Leases (continued)

(2) As a lessor

(a) Operating lease

	Amount for the period	Amount for the previous period
Lease income	324,715,834.75	318,504,300.00
Including: income related to variable lease payments not included in lease income	<u>3,097,898.65</u>	<u>11,551,277.26</u>

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

Operating remaining lease period	Undiscounted lease payment receivables
Within 1 year	615,766,084.29
Over 1 year but within 2 years	448,967,875.38
Over 2 years but within 3 years	367,202,389.49
Over 3 years but within 4 years	298,982,201.35
Over 4 years but within 5 years	254,229,192.81
Over 5 years	<u>1,287,790,324.94</u>
Total	<u>3,272,938,068.26</u>

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

X. OTHER SIGNIFICANT INFORMATION (CONTINUED)

2 Leases (continued)

(2) As a lessor (continued)

(b) Finance lease

	Amount for the period	Amount for the previous period
Finance income on the net investment in the lease	30,238.90	185,063.47
Income relating to variable lease payments not included in the net investment in the lease	-	-

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

	Lease payment receivables
Within 1 year	92,146.00
Subtotal of undiscounted lease receipts	92,146.00
Less: Unearned finance income	(1,303.11)
Net investment in the lease	90,842.89

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

X. OTHER SIGNIFICANT INFORMATION (CONTINUED)

3 Segment reporting

(1) Basic for determination of reportable segments and accounting policies

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 expressway service zone operation, road transportation and auxiliary services 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.

(2) Financial information of reportable segments

For the six months ended 30 June 2021

	Expressway Service Zones Operation	Road Passenger Transportation and Auxiliary Services	Other business	Inter-segment elimination	Total
Operating income	1,842,636,177.83	1,188,459,989.36	91,617,668.87	(30,247,233.69)	3,092,466,602.37
Including: External income	1,820,236,543.94	1,184,235,969.78	87,994,088.65	-	3,092,466,602.37
Inter-segment income	22,399,633.89	4,224,019.58	3,623,580.22	(30,247,233.69)	-
Operating costs	1,543,329,906.73	1,320,644,046.92	40,059,690.16	(23,934,631.59)	2,880,099,012.22
Segment operating (loss)/income	186,374,683.26	(259,642,910.05)	4,405,512.80	(898,744.89)	(69,761,458.88)

For the six months ended 30 June 2020

	Expressway Service Zones Operation	Road Passenger Transportation and Auxiliary Services	Other business	Inter-segment elimination	Total
Operating income	1,443,787,066.30	1,047,386,980.88	168,677,379.27	(58,004,345.98)	2,601,847,080.47
Including: External income	1,410,175,059.64	1,026,373,156.10	165,298,864.73	-	2,601,847,080.47
Inter-segment income	33,612,006.66	21,013,824.78	3,378,514.54	(58,004,345.98)	-
Operating costs	1,169,086,362.28	1,303,995,731.62	160,110,544.97	(52,834,272.31)	2,580,358,366.56
Segment operating income/(loss)	149,550,336.16	(309,744,387.66)	(33,001,312.43)	(659,324.97)	(193,854,688.90)

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

X. OTHER SIGNIFICANT INFORMATION (CONTINUED)

3 Segment reporting (continued)

(2) Financial information of reportable segments (continued)

As at 30 June 2021

	Expressway Service Zones Operation	Road Passenger Transportation and Auxiliary Services	Other business	Inter-segment elimination	Total
Segment assets	3,674,326,172.76	6,438,351,087.51	3,130,760,313.96	(2,584,591,195.19)	10,658,846,379.04
Segment liabilities	2,761,715,005.90	4,110,670,240.75	1,649,573,263.97	(852,317,049.65)	7,669,641,460.97

As at 31 December 2020

	Expressway Service Zones Operation	Road Passenger Transportation and Auxiliary Services	Other business	Inter-segment elimination	Total
Segment assets	3,588,930,221.19	7,069,824,002.41	3,059,513,779.28	(2,665,537,742.93)	11,052,730,259.95
Segment liabilities	2,816,862,049.64	4,428,081,755.44	1,616,261,137.70	(958,587,772.78)	7,902,617,170.00

(3) Geographic information

The Group's operating income comes from mainland China and Hong Kong, among which, the income comes from Hong Kong amounted to RMB4,222,116.05 in the current period (corresponding period in 2020: RMB24,262,713.59). As at 30 June 2021, the Group's non-current assets (excluding financial assets and deferred tax assets) held by the Hong Kong operations amounted to RMB175,242,184.69 (31 December 2020: RMB186,690,106.43).

(4) 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 2020.

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

XI. NOTES TO SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF COMPANY

1 Accounts receivable

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

	Closing balance	Balance at the end of previous year
Ageing		
Within 1 year		
Including: Within 3 months (inclusive)	43,817,365.91	45,832,864.62
Over 3 months and within 6 months (inclusive)	2,547,173.56	18,298,295.56
Over 6 months and within 1 year (inclusive)	19,179,058.72	18,685,302.01
Subtotal of within 1 year	65,543,598.19	82,816,462.19
1-2 years (inclusive)	14,506,147.44	972,188.28
2-3 years (inclusive)	296,988.27	-
Over 3 years	24,651,185.75	24,651,185.75
Subtotal	104,997,919.65	108,439,836.22
Less: Provision for bad debts	(25,639,594.05)	(25,060,744.92)
Total	79,358,325.60	83,379,091.30

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

XI. NOTES TO SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF COMPANY (CONTINUED)

1 Accounts receivable (continued)

(2) Accounts receivable disclosed according to the method of provision for bad debts:

	ECL%	Closing balance		Balance at the end of previous year	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Within 1 year	5%	65,543,598.19	(3,277,179.91)	82,816,462.19	(4,140,823.18)
1-2 years (inclusive)	10%	14,506,147.44	(1,450,614.74)	972,188.28	(97,218.85)
2-3 years (inclusive)	30%	296,988.27	(89,096.48)	–	–
Over 3 years	50%	6,185,884.81	(2,357,401.98)	6,185,884.81	(2,357,401.95)
Subtotal		86,532,618.71	(7,174,293.11)	89,974,535.28	(6,595,443.98)
Less: Provision for bad debts		18,465,300.94	(18,465,300.94)	18,465,300.94	(18,465,300.94)
Total		104,997,919.65	(25,639,594.05)	108,439,836.22	(25,060,744.92)

Provision for bad debts made on individual basis:

Name	Carrying amount	Closing balance		Reason for making provisions
		Provision for bad debts	Appropriation Proportion (%)	
Shenzhen Hongbao Trading Co., Ltd.	14,264,922.29	(14,264,922.29)	100.00	Debtor is in substantial financial difficulties
Guangzhou Jun Fat Trading Co., Ltd.	2,914,775.00	(2,914,775.00)	100.00	Debtor is currently in the status of deregistration
Zhuhai Yuexinyuan Trade Development Co., Ltd.	1,285,603.65	(1,285,603.65)	100.00	Debtor breached the contract with overdue payment
Total	18,465,300.94	(18,465,300.94)		

Notes to the Interim Financial Statements

(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)

XI. NOTES TO SIGNIFICANT ITEMS OF FINANCIAL STATEMENTS OF COMPANY (CONTINUED)

1 Accounts receivable (continued)

(3) Provision for bad debts made, reversed or recovered for the period

	Closing balance	Balance at the end of previous year
Balance as at the beginning of the period/year	(25,060,744.92)	(30,261,492.09)
(Provision)/reversal for bad debts	(578,849.13)	5,200,747.17
Balance at the end of the period/year	<u>(25,639,594.05)</u>	<u>(25,060,744.92)</u>

2 Investment income

	Amount for the period	Amount for the previous period
Income from long-term equity investment, at Cost	31,041,143.88	23,089,828.42
Income from long-term equity investment, under equity method	9,781,170.40	5,864,338.48
Total	<u>40,822,314.28</u>	<u>28,954,166.90</u>