



廣東粵運交通股份有限公司

GUANGDONG YUEYUN TRANSPORTATION COMPANY LIMITED*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 03399

Interim Report 2022



* 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 our advantages in transportation resources, focus on the travel of people and the flow of goods with transportation services and en-route services as the core, so as to create a professional, diversified and convenient comprehensive travel service platform, and endeavor to become an integrated transportation service group at international level.

Company Information

LEGAL NAME OF THE COMPANY

Guangdong Yueyun Transportation Company Limited

STOCK CODE

03399

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

BOARD OF DIRECTORS

Executive Directors

Guo Junfa
Huang Wenban

Non-Executive Directors

Chen Min
Chen Chuxuan

Independent Non-executive Directors

Jin Wenzhou*
Lu Zhenghua*
Wen Huiying*
Zhan Xiaotong*

COMPANY SECRETARY

Zhang Li

AUTHORISED REPRESENTATIVE

Guo Junfa
Mr. Huang Wenban*

AUDITOR

BDO China SHU LUN PAN Certified Public Accountants LLP
4F, No.61
East Nanjing Road
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PRINCIPAL BANKS

Industrial and Commercial Bank of China
Bank of China
China Merchants Bank
China Guangfa Bank

LEGAL ADVISER

Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

Note: The Company has completed its election of members of the Board on 31 August 2022. Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong have resigned their positions as independent non-executive directors of the seventh session of the Board of the Company and their positions under the Board committees with effect from the conclusion of 2022 First Extraordinary General Meeting of the Company held on 31 August 2022. The eighth session of the Board comprises Mr. Guo Junfa, Mr. Zhu Fang, Mr. Huang Wenban, Mr. Su Huacai and Mr. Hu Xianhua as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Su Wujun, Mr. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa as independent non-executive directors of the Company. Moreover, Mr. Zhu Fang will succeed Mr. Huang Wenban as the authorised representative of the Company starting from 31 August 2022.

Financial Highlights

	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000	Change
Results highlights			
Operating income			
Expressway Service Zones Operation	1,886,617	1,820,236	4%
Road passenger transportation and auxiliary services	972,248	1,184,237	(18%)
Taiping Interchange operation	43,570	57,310	(24%)
Other business	12,627	30,684	(59%)
	<u>2,915,062</u>	<u>3,092,467</u>	(6%)
Gross profit			
Expressway Service Zones Operation	206,417	296,832	(30%)
Road passenger transportation and auxiliary services	(86,503)	(134,855)	(36%)
Taiping Interchange operation	31,256	48,437	(35%)
Other business	348	1,954	(82%)
	<u>151,518</u>	<u>212,368</u>	(29%)
Taxes and surcharges	(17,562)	(22,568)	(22%)
Selling and distribution expenses	(26,955)	(27,953)	(4%)
General and administrative expenses, and research and development expenses	(274,228)	(281,711)	(3%)
Finance expenses	(108,262)	(120,143)	(10%)
Other income	189,102	164,627	15%
Investment income	(3,176)	6,522	N/A
(Loss) of credit impairment	(6,353)	(5,441)	17%
Gains from asset disposals	11,708	4,538	158%
	<u>(84,208)</u>	<u>(69,761)</u>	21%
Operating (losses)	(84,208)	(69,761)	21%
Non-operating income/(expenses)	5,794	(1,642)	N/A
	<u>(78,414)</u>	<u>(71,403)</u>	10%
Total (losses)	(78,414)	(71,403)	10%
Income tax expenses	(28,738)	(52,585)	(45%)
	<u>(107,152)</u>	<u>(123,988)</u>	(14%)
Net (losses)	(107,152)	(123,988)	(14%)
Profit and loss attributable to minority interests	29,729	63,224	(53%)
	<u>(77,423)</u>	<u>(60,764)</u>	27%
Net (losses) attributable to shareholders of the Company	(77,423)	(60,764)	27%
Basic (losses) per Share (RMB)	<u>(0.10)</u>	<u>(0.08)</u>	27%
Diluted (losses) per Share (RMB)	<u>(0.10)</u>	<u>(0.08)</u>	27%

Financial Highlights

	30 June 2022	31 December 2021	Change
	RMB'000	RMB'000	
Results highlights			
Total assets	10,243,466	10,543,633	(3%)
Total net assets	2,650,121	2,742,709	(3%)
Equity attributable to shareholders of the Company	1,779,139	1,849,432	(4%)
Net assets per share attributable to owners of the Company (RMB)	<u>2.22</u>	<u>2.31</u>	<u>(4%)</u>
	For the six months ended 30 June 2022	For the six months ended 30 June 2021	Change
Gross profit margin	5.20%	6.87%	(24%)
Interest coverage ratio (times)	<u>0.28</u>	<u>0.38</u>	<u>(26%)</u>
	30 June 2022	31 December 2021	Change
Gearing ratio	74.13%	73.99%	0%
Current ratio (times)	<u>0.74</u>	<u>0.69</u>	<u>7%</u>

Gross profit margin = gross profit/Revenue

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

Gearing ratio = Total liabilities/Total assets

Current ratio = Total current assets/Total current liabilities

Chairman's Statement

In the first half of 2022, as the COVID-19 pandemic has continued to spread throughout the world, the Russian-Ukrainian conflict was adding to the woes of global industrial and supply chains, bringing more uncertainties to the world economic recovery. The increasing "triple pressure" of Chinese economy, being shrinking demand, supply shocks and weakening expectations, has slowed down the economic growth. Facing greater downward pressure on the economy, Chinese government adhered to its general principle of "seeking progress while maintaining stability" and actively adopted a package of "economic stabilization and growth" policies to stabilize the macroeconomic market, accelerate the resumption of work and production, and the resumption of business and markets, and escort the sustained and stable economic development.

Looking back at the business operation in the first half of the year, despite the pressure of successive waves of the pandemic, the transportation industry was gradually recovered with steady growth. At the beginning of the year, the domestic epidemic was brought under control for a short period of time, and the ease of the policy for requesting its people to stay at their local regions during the Lunar New Year Holiday has led to the flow of population, and passenger flow and passenger transport demand has increased accordingly. Subsequently, due to the spread of the epidemic across the country, strict epidemic prevention and control measures have been adopted in many places, people's willingness to travel was under pressure again, and industry recovery slowed down. Since June, as the Chinese government has optimized the epidemic prevention and control measures, the effect of epidemic prevention and control has gradually emerged, and the restoring of normalization of travel activities has also accelerated, and the rebound potential of the road transportation industry has continued to be released.

Transportation is the basic and leading industry of the national economy, and is known as the "main artery" of the national economy, and is an important support for the country to achieve sustainable development. The year of 2022 is a crucial year for the implementation of the "14th Five-Year" Development Plan. On the basis of the "14th Five-Year" Plan for Modern Integrated Transport System Development issued by the State Council, Guangdong government has further issued the "14th Five-Year Development Plan of Integrated Transportation System of the Guangdong Province" and the "14th Five-Year Development Plan for Digital Transportation", to promote the coordinated development of multiple transportation modes and comprehensively promote the transformation and upgrade of the transportation industry. Meanwhile, in order to promote economic and social development, the Guangdong government has accelerated the construction of cross-border infrastructure to further promote the interconnection of infrastructure in the Greater Bay Area and deepen the exchanges between the Guangdong-Hong Kong-Macao Greater Bay Area. As a key year for the implementation of various plans in 2022, the transportation industry in Guangdong Province will continue to rely on national policies to accelerate the construction of integrated transportation system and strive to build a province with strong and high-quality transportation.

The year of 2022 will also be the year of deepening of the Group's "14th Five-Year" Development Plan. The Group will continue to coordinate efforts in the epidemic prevention and control and production and operation, and optimize and adjust business structure, to vigorously promote the increase of revenue and profit in the expressway service zones, continue to promote the cost reduction and efficiency improvement of the road passenger transportation segment, and accelerate the pace of digital transformation in an all-round way, innovate business conditions and operating models, and continuously enhance the core competitiveness of the Company.

In the second half of 2022, the Group will focus on the following key business developments by utilizing loans and capital generated from operation:

Key business developments of the Group in the second half of 2022 are as follows:

I. Expressway Service Zones Operation

1. Energy Business

- (1) Firmly implementing the strategy of establishing our self-developed and self-operated oil stations. Throughout the year, the Group will strive to complete the construction (including reconstruction) of 8 oil stations to achieve 66 self-develop and self-operated oil stations under operation. We will endeavour to integrate our internal and external resources of the Group to expedite the expansion and strengthen the business rapidly. The Group will strive to build up our terminal sales network by high-speed encrypted oil stations and downstream oil station projects.
- (2) Deepening our precise management, enhancing our intelligent service level. Integrated with the timing of significant holidays, the Group will launch interactive marketing activities for oil and non-oil products in terms of seasonality and subjectivity, attract customers and enhance our brand awareness, and improve our membership system. We will 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) Continuing to widen the procurement channel. The Group will 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.
- (4) Further increasing the depth and width of cooperation with large scale energy corporates, such as CNPC and Sinopec. The Group 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.
- (5) Drawing layouts for new energies in advance and selectively expanding upstream and downstream segments along the industry chain. Under the objective of "Emission Peak and Carbon Neutrality" (碳中和、碳達峰), the Group will innovate the integrated energy development layouts and continue to promote the implementation of new energy businesses including charging posts and power exchange stations in order to cope with the sweeping revolution of energy structure.

Chairman's Statement

2. *Retail Business*

- (1) Continuing to expand the network of our "Loyee" stores. The Group will conduct further research to determine the right development approach for our retail business, 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 10 new stores.
- (2) Improving business systems and procedures. The Group will actively connect with the market, optimize and improve the procurement and sales system and business process; expand the audience for information release, and explore the information sharing mechanism with important partners.
- (3) Optimizing business strategies and exploring new models of commodity management. The Group will establish classification standards for retail stores, standardize the classification of store; formulate business strategies for different types of stores; continuously optimize product categories, optimize product category management, and enhance the marketability of products.

3. *Merchant Solicitation Business*

- (1) Insisting the "Integration" mode and optimizing and upgrading the integrated operation platform for the service zones. The Group will fully establish the enhancement and upgrade projects in service zones, while take the lead to achieve high-quality development, by enhancing our coordination layout of commercial resources and merchant planning, enriching the new business conditions and developing self-owned brand for commercial development. Our Company has established its own commercial real estate brand "Yipinhui", and the Yipinhui store in Liangjinshan is expected to commence operation in the second half of the year, and with enhancement and upgrade of it, we will strive to increase brand influence and develop the potential to make new achievements.
- (2) Continuing to innovate business models. Based on the networked resource advantages, traffic advantages and information platform of the service zones, the Group will optimize and adjust new models such as shared massage chairs, shared power banks, shared coffee machines, gashapon machines, and business information development.
- (3) Creating featured service zones in line with local circumstances. In response to changes in the market environment, the Group will continue to promote the business expansion and upgrade of platform, and expand new cooperation models and new business conditions. We will focus on the transformation, development and operation of 6 pairs of service zones, including Liangjinshan, Shengtang, Xinyangjiang, Yangxi, Xinxu and Qianshui in Guangdong-Zhanjiang Line.

4. Advertising Business

- (1) Optimizing the design of advertising resources. The Group will establish a cultural integration of different regions, design and construct innovative advertising signboard suitable for the times and regional characteristics, increase the acceptance of the local government and the people, display its brand image of highway media advertising, improve the overall positioning and core competitiveness of the advertising business, and enhance value of advertising.
- (2) Actively developing advertising resources in expressway service zones. The Group will develop a high-standard plan for advertising facility planning of service zone, seize the favorable conditions of the networked layout and dense flow of people in the service zones, vigorously develop digital media business, cooperate with the service area sales activity planning, and assist brand customers to realize new business forms such as on-site activities, making it a new growth point in advertising revenue and profit.

II. Road Passenger Transportation and Auxiliary Services

Adhering to the idea, "taking courage, seeking progress while maintaining stability, embracing innovation, transforming for development, and keeping the bottom line" as its operation guideline, the Company has formulated specific, practical and feasible measures for each of its affiliated enterprises within the transportation sector in light of their respective operating conditions and market environment, i.e. the so-called "one policy for one enterprise", facilitating them to realize their own transformation and development taking into account their respective local conditions. With focuses on promoting the construction of information platforms, getting rid of ineffective or unpromising production units, and revitalizing station assets and streamlining staff configuration, the Company will implement each of its established objectives one by one, striving to improve the overall operation of the Company's road passenger transportation and ancillary segments.

1. Speeding up the construction of information platform. The Group will leverage on the functions of the "Yuexing APP (悦行APP)", its own group passenger platform, actively integrating into the "Internet+" era. It will also integrate passenger service routes with resources on the "Yuexing (悦行)" platform, and the on-line operation of vehicles, to create a flexible and efficient passenger service network.
2. Minimizing overcapacity and supply inefficiencies. The Group will continue to apply refined management on shuttle transportation, guide each passenger transportation company within the Group to implement the "one policy for one enterprise" reform plan, to improve the operating conditions of passenger transportation through reducing the scale of operation of existing routes and exiting from routes with unfavourable operation conditions, closing or consolidating of some county-level transportation enterprises, streamlining the organizational structure, reducing the number of management personnel, and controlling operating costs.

Chairman's Statement

3. Promoting the commercial development of passenger terminals. The Group will promote grouping passengers from convenient stations or request stops, instead of passenger terminals, and develop commercial resources for passenger terminals. Various methods such as asset (equity) disposal, asset leasing, and cooperative operation will be adopted to maximize the benefits of operating resources and increase cash flow and operating income.
4. Exploring business diversification. For rural passenger transportation and urban public transportation business, the Group will ensure to be qualified for various subsidies, and strive for the full payment of relevant government subsidies under applicable policies, to ensure reasonable profits for rural passenger transportation and urban public transportation business.
5. Unceasingly expanding and optimizing vehicle rescue business. The Group will continue to improve the quality of service and explore opportunity for development, build and optimize the "Press and Rescue" travel protection service platform for car owners, and fully integrate the advantages of offline vehicle rescue resources with online platform operations. The Group will continue to promote the development of the "5G+AI"-based video surveillance and rescue cloud service platform to optimize the accuracy of AI algorithms.

Guo Junfa

Executive Director and Chairman

Guangzhou, PRC

19 August 2022

BUSINESS REVIEW

During the first half of 2022, in the face of the complex and challenging external environment and the repeated impact of COVID-19, the Group coordinated the expressway service zone segment and the road passenger transportation segment, closely focused on the transformation and development objectives set out in the “14th Five-Year Plan”, and made every effort to promote the quality and upgrading of various businesses, achieving remarkable results in terms of management capacity enhancement, organisational streamlining and digital transformation.

TRAVEL SERVICE SEGMENT

I. Expressway Service Zones Operation

1. Energy Business

The Company firmly implemented the strategy of constructing owned and operated oil stations and continued optimizing the self-owned “Yueyun Energy” brand. As of the end of June 2022, the Company owned 207 oil stations, including 60 owned and operated oil stations. The specific measures were as follows:

- (1) The network of owned and operated oil stations was expanded. The Nansha petrol station on Humen Bridge was rehabilitated and opened for business on 8 June. The construction of service zone petrol stations such as Shengtang and Xinyangjiang continued to be facilitated.
- (2) The management of oil product procurement was strengthened. We paid close attention to the international crude oil and domestic refined oil markets, collected, summarised and analysed relevant information in a timely manner, grasped changes in the sales strategies of suppliers, strengthened the ability to control refined oil procurement nodes and secured high profits in advance.
- (3) Improving oil sales and economic efficiency through precise marketing. We formulated “one stop, one strategy” according to local conditions and organised 22 batches of marketing activities. We expanded our business beyond the service zones and cooperated with logistics companies and other companies to carry out “refuelling at designated points”. We actively promoted Yueyun Energy e-membership to enhance brand awareness and influence. In the first half of the year, the number of Yueyun Energy e-members was increased by 90,900, reaching a total of 376,600 members.

Management Discussion and Analysis

- (4) The deployment of new energy business was accelerated. The Group actively promoted the upgrading of expressway oil stations into “hybrid stations”, by developing the potential of our own existing charging stations which were built by the Group so that the Group could explore the market as appropriate and deploy in advance charging posts available to the public in a manner that will drive the development of the service zones. The charging and changing service facilities in the Dahuai service zone of the Group (including grid charging posts, Tesla exclusive charging posts and Nio battery swap stations) have been put into operation, and two Nio battery swap stations in the Guandu service zone have been completed. As of the end of June, the Group had 6 battery swap stations, 2 gas stations and 1 photovoltaic power station. The number of charging posts in expressway service zones continued to grow and GCGC set up 818 charging posts covering 335 service zones.

2. Retail Business

The Group exerted full efforts to enhance the market competitiveness of the “Loyee” brand by increasing the number of outlets in the network, improving their quality and upgrading. As of the end of June 2022, the Group had 535 “Loyee” convenience stores, including 265 owned-and-operated stores in service zones.

- (1) Formulating incentive programs for the performance of “Loyee” stores. In order to stimulate the sales enthusiasm of staff, we implemented task decomposition in terms of sales of dry goods, cooked food and local specialties, and refined incentive assessment to promote revenue generation and efficiency.
- (2) Exploring the incremental revenue. By making use of the vacant period for leasing cooked food and catering projects in the service zone, we increased the sales points for cooked food and arranged special sales posts, resulting in a revenue of RMB4.8 million from cooked food; we also actively expanded the group purchase and wholesale business and vigorously developed wholesale customers, achieving a revenue of RMB8 million from wholesale sales.

3. Merchant Solicitation Business

The Group continued to expand the service zone resources, enrich the variety of operating businesses, enhance the business operating capabilities and extend the platform value. As of the end of June 2022, the Group owned 358 service zones (carpark zones inclusive) with operating right, of which 346 had commenced operation (including 81 carpark zones). The specific operating measures were as follows:

- (1) Strengthening the acquisition of service zone resources. The Xinxu service zone on the Guangzhou-Zhanjiang line has been opened and put into operation this year, and the leasing of the food plaza and vehicle repair project in the Shengtang service zone has been completed, basically reaching the operational conditions. We will continue to promote the merchant solicitation and construction of service zones such as Liangjinshan, Xinyangjiang, Yangxi and Shashui.

Management Discussion and Analysis

- (2) Formulating policies to support and relieve the financial difficulties of merchants during the epidemic. With effective measures to boost the business confidence of the merchants, we stabilised the development of the merchant solicitation business.
- (3) Expanding the platform and enhancing incremental commercial value. Based on the network resources and traffic advantages of the service zones, we optimized and adjusted the layout of the original shared innovation projects, continued to explore and promote new business forms such as medicine vending machines and lottery machines, and launched the opening and operation of “Yipinhui (驛品薈)” stores in Liangjinshan and Lantang.

4. Advertising Business

The Group accelerated the building and optimized layout of advertising resources, focused on building an influential media network for traffic and travel. As of the end of June 2022, the Group operated and managed 512 advertising resources in aggregate, including pole billboards, overpass bridges, gantries, billboards above poll stations, floor standing billboards, billboards above service zones, etc. The specific operating measures are as follows:

- (1) Increasing marketing efforts and taking the initiative to find target customers. We increased the efforts of customer visits to precisely find customers in industries such as fast consuming goods, home furnishings, building materials and industrial park projects, and successfully developed 8 new customers in the first half of the year, entering into advertising contracts with a total value of RMB15.82 million.
- (2) Continuously innovating in the form of advertising resources. We have been increasing the proportion of innovative advertising resources and launching new businesses in all aspects. On top of the existing traditional business, we continued to promote the cooperation and construction of new advertising media, and a total of 208 electronic screens were built.

Management Discussion and Analysis

II. Road Passenger Transportation and Auxiliary

With the development of the economy and society and the emergence of rail transportation, online car-hailing services and other modes of travel, the demand in the transportation market has gradually taken on the characteristics of high quality, diversification and customization, and the road passenger transport industry has abruptly changed its landscape and stepped into a brand new development track. In the face of competitive pressures in the industry, the Group carefully reviewed and analyzed the market environment and development situation, downsized its traditional liner passenger transport and station business, promoted new businesses such as customized passenger transportation and chartered buses, and comprehensively promoted digital transformation and upgrading. The specific operating measures are as follows:

- (1) Implementing the restructuring of business with a demand-oriented approach. We will transform the operation from shuttle transportation to customized or chartered passenger transportation. We actively approached government agencies, enterprises and schools to collaborate on chartered bus business and promoted non-station group passenger business such as online car-hailing services, customized passenger services, shuttle bus and student scheduled services. By the end of June 2022, the percentage of non-station group passenger business increased by 21 percentage points year-on-year.
- (2) Continuing to optimize our vehicle model portfolio and composition. In order to adapt to the "New Passenger Regulations", we conducted reasonable adjustment of our vehicle model portfolio according to the future feature of "small-lot and multiple-batch" road passenger transportation and business needs. As of the end of June 2022, large vehicles of over 9-meter length accounted for 42% of our road passenger transportation (excluding public transportation and rental). Subsequently, we shall continue to strictly supervise the models of large vehicles and reduce operating costs in the future.
- (3) Implementing the strategy of "digitalized transformation and platform operation". We strengthened the upgrade of "Yuexing (悦行)" platform. As of the end of June 2022, the intercity and customized ride-sharing business of "Yueyun Yuexing (粤运悦行)" had been launched in Yangjiang, Chaozhou, Zhongshan, Zhaoqing (Zhaoqing urban area, Sihui and Huaiji), Meizhou and Chaoyang, with a total of 685 routes in operation and a total of 98,100 passengers served, representing a year-on-year increase of 6.75%. The functional development of the "two passenger, one hazardous material and one heavy-loaded transportation (两客一危一重)" was basically completed, and the supervision and operation services were completed with high quality to achieve a significant decrease in the risks and accidents of key operating vehicles in Guangdong Province.
- (4) Accelerating the transformation of passenger transportation stations. Under the premise of ensuring the basic functions of passenger transportation, by transforming stations into convenient stations or greeting stations, we maximized the development of idle resources at stations and leased station properties to increase rental income. During the first half of the year, a total of 15 passenger stations were transformed into convenient stations and 13 stations were transformed into greeting stations.
- (5) Optimization and expansion of expressway rescue services. By the end of June 2022, "Yueyun Rescue" of the Group had rescue service mileage of approximately 7,002 kilometers. The Group set up a total of 188 rescue stations, with 825 rescue team members and 676 sets of various rescue equipment. We are committed to providing standardized rescue services to ensure the safety and smoothness of expressway travel.

Management Discussion and Analysis

III. Taiping Interchange Operation

During the first half of 2022, the accumulated traffic volume of Taiping Interchange was approximately 12.46 million vehicles, and the daily average traffic volume was approximately 69,000 vehicles, representing a year-on-year decrease of approximately 19%. This was mainly due to a reduction in the number of vehicles travelling due to the COVID-19 outbreak in Shenzhen and Dongguan in March and April.

We fully implemented the maintenance and repair scheme of Taiping Interchange to protect the safe operation of its infrastructure. During the first half of the year, we have organised maintenance works, safety monitoring projects and traffic control works for 10 piers of Taiping Interchange. Meanwhile, we also strengthened the maintenance of the mechanical and electrical system, toll collection system, communication system and monitoring system, and continuously improved the daily inspection of the Taiping Interchange to ensure the safety and traffic smoothness of the bridges and roads.

IV. Material Logistics Segment

The Group continued to steadily perform the completion of material supply inventory business with risks under control.

Staff Structure and Organizational Optimization

Facing market changes and business declines, the Group carried out in-depth system reforms, focused on key issues, took the initiative and responded positively, closely catering to the needs of business operations and development, with a focus on optimizing the organizational structure and staff structure in order to boost the efficiency of human resources.

In terms of optimizing the organizational structure, the Company has optimized the organizational structure of its headquarters and business segment enterprises in accordance with the changes in business development and market-oriented reform direction, gradually building a streamlined and efficient control system and significantly improving its organizational strength. The number of our management entities in passenger transportation business was consolidated from 75 at the beginning of the year to 69, representing a decrease of 8%. Departments which were directly under our headquarters were reduced from 88 at the beginning of the year to 73, representing a decrease of 17.05%. Our third-level department number was reduced from 301 to 251, representing a decrease of 16.61%.

For staff structure optimization, we promoted the development and upgrade of our road passenger transport business to be more commercialized in response to changes in industry policies and the impact of the epidemic amid the fierce market competition. The Group went beyond the traditional business model of “picking up passengers at terminal (等客上門)”, and vigorously expanded the development of the non-terminal passenger-pickup business, including chartered coach services, commuting services, dedicated lines services, customized passenger services, online car-hailing services and leasing. Meanwhile, in line with the corresponding business model adjustment, we reasonably controlled the total number of employees to establish a qualification-disqualification mechanism for employees. By formulating management measures to deploy personnel in a stable, orderly and proper manner, the proportion of employees of the Group in road passenger transportation and auxiliary sector was 15.71% for the first half of 2022.

Management Discussion and Analysis

FINANCIAL REVIEW

THE GROUP'S INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

For the six months ended 30 June 2022, operating income of the Group amounted to RMB2,915.062 million (corresponding period in 2021: RMB3,092.467 million), representing a year-on-year decrease of RMB177.405 million or 6%. Gross profit amounted to RMB151.518 million (corresponding period in 2021: RMB212.368 million), representing a year-on-year decrease of RMB60.850 million or 29%. The Group realized an accumulated net loss of RMB107.152 million (corresponding period in 2021: net loss of RMB123.988 million); net loss attributable to the shareholders of the Company of RMB77.423 million (corresponding period in 2021: net loss attributable to the Shareholders of RMB60.764 million); basic loss per share was RMB0.10 (corresponding period in 2021: basic loss per share of RMB0.08).

The changes in our results of operations were mainly due to: (1) year-on-year decrease in the revenue and gross profit of our road passenger transportation business, retail business, merchant solicitation business and Taiping Interchange business due to control measures addressing Covid-19 resurgence in certain areas of Guangdong Province together with the corresponding toll it took on transportation environment; and (2) active securement of subsidy under relevant policies, resulting a year-on-year increase in local subsidies, offsetting part of the impact of decrease in gross profit.

Operating income

Operating income of the Group was mainly derived from expressway service zones operation and road passenger transportation and auxiliary business. Operating income of the Group for the first half of 2022 amounted to RMB2,915.062 million (corresponding period in 2021: RMB3,092.467 million), representing a year-on-year decrease of RMB177.405 million or 6%. The year-on-year decrease in operating income was due to a decrease in traffic and passenger flow as a result of epidemic control in certain areas of Guangdong Province during the first half of the year.

Operating income by business segments:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	RMB'000	Percentage	RMB'000	Percentage
Expressway Service Zones Operation	1,886,617	65%	1,820,236	59%
Road passenger transportation and auxiliary business	972,248	33%	1,184,237	38%
Taiping Interchange operation	43,570	2%	57,310	2%
Other business	12,627	0%	30,684	1%
Total	<u>2,915,062</u>	<u>100%</u>	<u>3,092,467</u>	<u>100%</u>

Management Discussion and Analysis

1. *Expressway Service Zones Operation Business*

Expressway service zones operation business recorded operating income of RMB1,886.617 million for the first half of 2022 (corresponding period in 2021: RMB1,820.236 million), representing a year-on-year increase of RMB66.381 million or approximately 4%, which was mainly due to an increase in income from the energy business. Among which:

- (1) For energy business, the operating income amounted to RMB1,550.992 million for the first half of 2022 (corresponding period in 2021: RMB1,382.083 million), representing a year-on-year increase of RMB168.909 million or approximately 12%, which was mainly due to the rise in oil prices and the year-on-year increase in scale of owned-and-operated oil stations.
- (2) For retail business, the operating income amounted to RMB169.487 million for the first half of 2022 (corresponding period in 2021: RMB226.014 million), representing a year-on-year decrease of RMB56.527 million or approximately 25%, which was mainly due to the year-on-year decrease in sales revenue as a result of the decline in traffic and passenger flow caused by the pandemic.
- (3) For merchant solicitation business, the operating income amounted to RMB125.456 million for the first half of 2022 (corresponding period in 2021: RMB162.336 million), representing a year-on-year decrease of RMB36.880 million or approximately 23%, which was mainly due to the year-on-year decrease in commission income from operating merchants due to the impact of the pandemic, and the year-on-year decrease in revenue due to the exit of merchants.
- (4) For advertising business, the operating income amounted to RMB40.682 million for the first half of 2022 (corresponding period in 2021: RMB49.803 million), representing a year-on-year decrease of RMB9.121 million or approximately 18%, which was mainly due to the year-on-year decrease in revenue from column billboards.

2. *Road Passenger Transportation and Auxiliary Business*

Road passenger transportation and auxiliary business recorded operating income of RMB972.248 million for the first half of 2022 (corresponding period in 2021: RMB1,184.237 million), representing a year-on-year decrease of RMB211.989 million or approximately 18%, which was mainly attributable to the decrease in revenue as a result of the decline in passenger flow caused by the worsening transportation environment and the resurgence of the pandemic.

3. *Operation of Taiping Interchange*

Taiping Interchange recorded operating income of approximately RMB43.570 million for the first half of 2022 (corresponding period in 2021: RMB57.310 million), representing a year-on-year decrease of RMB13.740 million or approximately 24%, which was mainly due to the decline in traffic flow caused by the pandemic outbreak in Dongguan from February to April this year.

Management Discussion and Analysis

4. Other Businesses

Other Businesses recorded operating income of RMB12.627 million for the first half of 2022 (corresponding period in 2021: RMB30.684 million), representing a year-on-year decrease of RMB18.057 million or approximately 59%. The decrease in operating income was mainly due to the decrease in revenue from property leasing and the decrease in business volume of material logistics inventory.

GROSS PROFIT

Gross profit of the Group for the first half of 2022 amounted to RMB151.518 million (corresponding period in 2021: RMB212.368 million), representing a year-on-year decrease of RMB60.850 million or approximately 29%, with a gross profit margin of 5.20% (corresponding period in 2021: 6.87%).

Gross profit by business segments:

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
	RMB'000	Percentage	RMB'000	Percentage
Expressway Service Zones Operation	206,417	136%	296,832	140%
Road passenger transportation and auxiliary services	(86,503)	(57%)	(134,855)	(64%)
Taiping Interchange operation	31,256	21%	48,437	23%
Other business	348	0%	1,954	1%
Total	<u>151,518</u>	<u>100%</u>	<u>212,368</u>	<u>100%</u>

1. Expressway Service Zones Operation

Expressway service zones operation recorded gross profit of RMB206.417 million in the first half of 2022 (corresponding period in 2021: RMB296.832 million), representing a year-on-year decrease of RMB90.415 million or approximately 30%, and the gross profit margin was 11% (corresponding period in 2021: 16%). Of which:

- (1) The energy business generated gross profit of RMB192.695 million in the first half of 2022 (corresponding period in 2021: RMB202.214 million), representing a year-on-year decrease of RMB9.519 million or approximately 5%. The gross profit margin was 12% (corresponding period in 2021: 15%). The decrease in gross profit was mainly due to a year-on-year decrease in differences between purchasing and selling prices. The gross profit margin of the energy business for the period was 21% (corresponding period in 2021: 23%).

Management Discussion and Analysis

- (2) The retail business generated gross profit of RMB4.221 million in the first half of 2022 (corresponding period in 2021: RMB35.235 million), representing a year-on-year decrease of RMB31.014 million or approximately 88%. The gross profit margin was 2% (corresponding period in 2021: 16%). The decrease in gross profit was mainly attributable to (1) a year-on-year decrease in revenue due to the continuation of pandemic; and (2) an increase in the initial investment costs for the new stores.
- (3) The merchant solicitation business generated gross loss of RMB7.278 million in the first half of 2022 (corresponding period in 2021: gross profit of RMB36.841 million), representing a year-on-year decrease of RMB44.119 million or approximately 120%. The gross loss margin was 6% (corresponding period in 2021: gross profit margin of 23%). The decrease in gross profit was mainly attributable to a year-on-year decrease in revenue due to the continuation of pandemic.
- (4) The advertising business generated gross profit of RMB16.779 million in the first half of 2022 (corresponding period in 2021: RMB22.542 million), representing a year-on-year decrease of RMB5.763 million or approximately 26%. The gross profit margin was 41% (corresponding period in 2021: 45%). The decrease in gross profit was mainly due to a year-on-year decrease in revenue from column billboards.

2. Road Passenger Transportation and Auxiliary Business

Road passenger transportation and auxiliary services generated gross loss of RMB86.503 million for the first half of 2022 (corresponding period in 2021: gross loss of RMB134.855 million), representing a year-on-year reduction in gross loss of RMB48.352 million, and the gross loss margin was 9% (corresponding period in 2021: gross loss margin of 11%), which was mainly due to (i) the support of the “town-to-village (鎮通村)” policy in the first half of the year, and (ii) the promotion of the structure optimization of transportation business, resulting in a year-on-year reduction in operating costs.

3. Taiping Interchange operation

Taiping Interchange operation generated gross profit of RMB31.256 million in the first half of 2022 (corresponding period in 2021: RMB48.437 million), representing a year-on-year decrease of RMB17.181 million or approximately 35%. The gross profit margin was 72% (corresponding period in 2021: 85%), which was mainly due to (i) the year-on-year decrease in revenue result from the decrease in traffic volume; and (ii) the increase in daily maintenance costs.

4. Other business

Other business segment generated gross profit of RMB348,000 in the first half of 2022 (corresponding period in 2021: RMB1.954 million), representing a year-on-year decrease of RMB1.606 million. The gross profit margin was 3% (corresponding period in 2021: 6%), which was mainly attributable to the decrease in revenue as a result of the decrease in property rental income and the decrease in the business volume of material logistics inventory.

Management Discussion and Analysis

Taxes and surcharges

In the first half of 2022, taxes and surcharges of the Group amounted to RMB17.562 million (corresponding period in 2021: RMB22.568 million), representing a year-on-year decrease of RMB5.006 million or approximately 22%, which was mainly due to the impact of the tax reduction and exemption policies for the year.

Selling and distribution expenses

In the first half of 2022, the Group incurred selling and distribution expenses of RMB26.956 million (corresponding period in 2021: RMB27.953 million), representing a year-on-year decrease of RMB997,000 or approximately 4%.

Administrative and research and development expenses

In the first half of 2022, the Group incurred administrative and research and development expenses of RMB274.228 million (corresponding period in 2021: RMB281.711 million), representing a year-on-year decrease of RMB7.483 million or approximately 3%.

Finance expenses

In the first half of 2022, the Group incurred finance expenses of RMB108.262 million (corresponding period in 2021: RMB120.143 million), representing a year-on-year decrease of RMB11.881 million or approximately 10%. The decrease was mainly attributable to a decrease in interest on lease liabilities and an increase in net foreign exchange gains.

Other income

In the first half of 2022, the Group incurred other income of RMB189.102 million (corresponding period in 2021: RMB164.627 million), representing a year-on-year increase of RMB24.475 million or approximately 15%, which was mainly due to a year-on-year increase in subsidies from local government.

Investment (loss)/gain

In the first half of 2022, the Group incurred investment loss of RMB3.176 million (corresponding period in 2021: investment income of RMB6.522 million), representing a year-on-year decrease of RMB9.698 million, which was mainly due to the impact of a year-on-year decrease in the net profit for the period from the associates and joint ventures of the Group.

Credit impairment (losses)

In the first half of 2022, the Group incurred credit impairment losses of RMB6.353 million (corresponding period in 2021: RMB5.441 million), representing a year-on-year increase in losses of RMB912,000 or 17%.

Gains on disposal of assets

In the first half of 2022, the Group incurred gains on disposal of assets of RMB11.708 million (corresponding period in 2021: RMB4.538 million), representing a year-on-year increase of RMB7.170 million or 158%, which was mainly due to the increase in disposal of idle transportation equipment for the period.

Management Discussion and Analysis

Non-Operating Income and Expenses

The net amount of non-operating income of the Group in the first half of 2022 was RMB5.794 million (corresponding period in 2021: a net expense of RMB1.642 million), representing a year-on-year increase in net income of RMB7.436 million, which was mainly due to a year-on-year reduction in asset retirement losses.

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 lowered 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 2022, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB3,395.974 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

Items	30 June 2022 RMB'000	31 December 2021 RMB'000
Borrowings (from banks and other financial institutions)	3,066,083	3,148,951
Less: Cash and cash equivalents	1,138,628	1,249,404
Net liabilities	1,927,455	1,899,547
Total liabilities	7,593,345	7,800,923
Total shareholder's equity	2,650,121	2,742,709
Total equity	4,577,576	4,642,256
Total assets	10,243,466	10,543,633
Gearing ratio	42.11%	40.92%
Asset to liability ratio	74.13%	73.99%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total Shareholder's equity

Asset to liability ratio = Total liabilities/Total assets

Management Discussion and Analysis

Cash flows

In the first half of 2022, the Group satisfied its requirements for payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term debt 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:

	For the six months ended 30 June		
	2022	2021	Change
Cash generated from/(used in)	RMB'000	RMB'000	RMB'000
Operating activities	127,860	510,097	(382,237)
Investing activities	(85,840)	(212,576)	126,736
Financing activities	(155,793)	(272,169)	116,376

Operating activities

The Group's net cash inflow from operating activities amounted to RMB127.860 million in the first half of 2022 (corresponding period in 2021: net cash inflow of RMB510.097 million), representing a year-on-year decrease of net cash inflow of RMB382.237 million, which was mainly due to a decrease in revenue for the period.

Investing activities

In the first half of 2022, the net cash outflow from investing activities was RMB85.840 million (corresponding period in 2021: net cash outflow of RMB212.576 million), representing a year-on-year decrease in net cash outflow of RMB126.736 million, which was mainly attributable to a year-on-year decrease in payment for acquisition of fixed assets including vehicles, as a result of the Group's effort in managing its investment scale.

Financing activities

The net cash outflow from financing activities in the first half of 2022 was RMB155.793 million (corresponding period in 2021: net cash outflow of RMB272.169 million), representing a year-on-year decrease of RMB116.376 million in net cash outflow, which was mainly due to a year-on-year decrease in cash used to repay debt due.

Management Discussion and Analysis

Borrowings

As of 30 June 2022, outstanding loans of the Group amounted to RMB3,066.083 million (31 December 2021: RMB3,148.951 million), comprising (i) unsecured short-term loans of RMB666.205 million (31 December 2021: RMB574.685 million); (ii) secured short-term loans of RMB160.286 million (31 December 2021: RMB181.216 million); (iii) pledged short-term loans of RMB6.000 million (31 December 2021: nil); (iv) unsecured long-term loans of RMB930.069 million (31 December 2021: RMB1,003.242 million); (v) secured long-term loans of RMB373.262 million (31 December 2021: RMB360.528 million); (vi) pledged long-term loans of RMB45.430 million (31 December 2021: RMB35.830 million); (vii) financing leases payable of RMB493.671 million (31 December 2021: RMB602.577 million); and (viii) bonds payable of RMB391.160 million (31 December 2021: RMB390.873 million). As of 30 June 2022, 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 56%.

Material subsequent events

On 10 August 2022, the Company and Guangdong Leatop Development Investment Co., Ltd. ("**Guangdong Leatop**") entered into an equity transfer agreement in relation to the equity transfer of 100% equity interest in Guangdong Province Transportation Engineering Company Limited ("**Transportation Engineering**"), a wholly-owned subsidiary of the Company, pursuant to which the Company has conditionally agreed to sell, and Guangdong Leatop has conditionally agreed to acquire, 100% equity interest in Transportation Engineering, at a total consideration of RMB216,637,157.08. An extraordinary general meeting will be convened by the Company to consider and, if thought fit, approve, among other things, the equity transfer agreement and the Equity Transfer contemplated thereunder. Details of the terms and conditions are set out in the announcement issued by the Company on 10 August 2022. Up to the date of approval of this report by the Board, the equity transfer has not yet completed.

Major Acquisitions, Disposals and Establishment of New Companies

During the Reporting Period, the Company did not conduct any material acquisitions, disposals of or establish subsidiaries, associates and joint ventures.

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, Hong Kong Plaza, 188 Connaught Road West, Sai Wan, Hong Kong	Operating lease	Short-term (within 10 years)
No. 2 office, 1/F, King's Court, Wai Ching Street, Jordan Road, Kowloon	No. 2 office, 1/F, King's Court, No. 65, 67, 69, 71, 73, 75, Wai Ching Street, Jordan Road, Kowloon, Hong Kong	Operating lease	Short-term (within 10 years)
Underground Shop, Hang On Building, 159A Sai Yeung Choi Street North, Mongkok, Kowloon	Underground Shop, Hang On Building, 159A Sai Yeung Choi Street North, Mongkok, Kowloon, Hong Kong	Operating lease	Short-term (within 10 years)
Apartment of Drivers	Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City, the PRC	Operating lease	Short-term (within 10 years)
Passenger Traffic Center Building in Lianzhou	No. 136, Beihu Road, Lianzhou City, the PRC	Operating lease	Short-term (within 10 years)
Complex Building of Vehicle Passenger Terminal in Danxia Mountain	Complex Building of Vehicle Passenger Terminal in Danxia Mountain	Operating lease	Long-term (over 10 years)

Pledge of assets

As at 30 June 2022, fixed assets at the net value of approximately RMB294.053 million (31 December 2021: RMB337.250 million) and land use rights at the net value of approximately RMB143.582 million (31 December 2021: RMB139.146 million) of the Group were pledged as security for borrowings and long-term payables. As at 30 June 2022, transportation vehicles at net value of approximately RMB207.718 million (31 December 2021: RMB366.182 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 2022, the working capital and liquidity of the Group were slightly affected by the fluctuations in foreign exchange rate. The directors of the Company (the "Director(s)") believe that the Group will have sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of 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 2022, the Group had no material contingent liabilities.

SHARE CAPITAL

As at 30 June 2022, 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 2022, 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 2022, 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 2022 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 2022, 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	22,896,247	Investment manager	11.06%	2.86%
Shah Capital Management	H Shares	18,035,000	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 68.96% 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 2022, 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2022, 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 2022, 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:

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%

Except as disclosed above, as at 30 June 2022, 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 2022, the Company had complied with all the code provisions except for code provision B.2.2 and code provision C.2.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Code provision B.2.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's articles of association also stipulate that the directors and supervisors elected at general meeting shall be for a term of three years. As approved by the Company's shareholders at the 2018 annual general meeting held on 17 June 2019, the term of the seventh session of Board and the seventh session of the Supervisory Committee of the Company has expired on 17 June 2022. Notwithstanding that the Company deviated from Code Provision B.2.2 of the Listing Rules during the six-month period ended 30 June 2022, the election of the members of the eighth session of the Board and the shareholder representative supervisors and independent supervisors of the eighth session of the Supervisory Committee of the Company was completed on 31 August 2022. The Company will hold the meeting of employee representatives to elect the employee representative supervisors as soon as possible and hold the meeting of Supervisory Committee to appoint the chairman of the eighth session of the Supervisory Committee. Pursuant to code provision C.2.1, the role of chairman and the chief executive should be separate and should not be performed by the same individual. For the period from 20 April 2022 to 7 August 2022, Mr. Guo Junfa, Chairman of the Board, acted as the acting general manager of the Company in order to fill the vacancy as soon as possible as Mr. Tang Yinghai has resigned as the General Manager of the Company due to work relocation. During the period when Mr. Guo Junfa, Chairman of the Board, acted the acting general manager of the Company, although deviating from Code Provisions C.2.1 of the Listing Rules, Mr. Guo Junfa provided solid and continuous leadership to the Group with his extensive experience and knowledge in management and the support of our management. Moreover, under the supervision of other existing members of the Board, the Board was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. As such, the Board was of the view that the deviation from code provision C.2.1 of the Corporate Governance Code was appropriate in the said situation. In addition, the Board of the Company appointed Mr. Zhu Fang as the general manager of the Company. The roles of chairman and the chief executive of the Company are performed by different persons. The Company has complied with the requirement of code provision C.2.1.

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 (the “**Supervisor(s)**”). 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 2022.

BOARD

As at 30 June 2022 and up to the date of this report, the Directors in office of the seventh session of the Board were as follows:

Name	Date of appointment as a Director
Executive Directors	
Mr. Guo Junfa	11 November 2021
Mr. Huang Wenban	22 December 2020
Non-Executive Directors	
Mr. Chen Min	7 June 2016
Mr. Chen Chuxuan	17 June 2019
Independent Non-Executive Directors	
Mr. Jin Wenzhou	4 April 2014
Ms. Lu Zhenghua	7 June 2016
Ms. Wen Huiying	15 August 2018
Mr. Zhan Xiaotong	15 August 2018

Note:

The Company has completed its election and appointment for the Board on 31 August 2022. For the particulars of the members of the eighth session of the Board, please see the circular and relevant announcement published by the Company on 12 August 2022 and 31 August 2022, respectively.

Other Information

THE PROVISION OF INFORMATION IN RESPECT OF AND BY DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Mr. Tang Yinghai has resigned as an executive Director of the seventh session of the Board and the General Manager of the Company due to work relocation. Following Mr. Tang Yinghai's resignation as an executive Director, Mr. Tang has also ceased to be a member of the Strategy Committee and Compliance Committee of the Company and an authorized representative of the Company. In accordance with the Listing Rules, the Company shall appoint two authorized representatives as primary channels of communication between the Company and the Stock Exchange. Accordingly, the Company appointed Mr. Huang Wenban as an authorized representative of the Company in succession to Mr. Tang Yinghai. The resignation of Mr. Tang Yinghai and the appointment of Mr. Huang Wenban as an authorized representative aforementioned were effective from 20 April 2022. Please refer to the announcement of the Company dated 20 April 2022 for further details.

Mr. Yao Hanxiong has resigned as an executive Director of the seventh session of the Board and the Deputy General Manager of the Company due to work relocation. Following Mr. Yao's resignation as an executive Director, Mr. Yao has also ceased to be a member of the Compliance Committee of the Company. The resignation of Mr. Yao Hanxiong aforementioned was effective from 20 April 2022. Please refer to the announcement of the Company dated 20 April 2022 for further details.

Mr. Hu Xianhua has resigned as a Supervisor of the seventh session of the Supervisory Committee and chairman of the Supervisory Committee of the Company due to work relocation, effective from 25 April 2022. Please refer to the announcement of the Company dated 25 April 2022 for further details.

Mr. Zhu Fang has been appointed as the general manager of the Company. Please refer to the announcement of the Company dated 8 August 2022 for further details.

At the 2022 First Extraordinary General Meeting held on 31 August 2022, the Company elected and appointed the directors of the eighth session of the Board and the shareholder representative supervisors and independent supervisors of the eighth session of the Supervisory Committee, and reappointed the authorized representative, members and chairmen of the Board committees, chairman of the Board and general manager etc. of the Company at the meeting held immediately after the 2022 First Extraordinary General Meeting on the same day. For details, please see the relevant circular and announcement published by the Company on 12 August 2022 and 31 August 2022, respectively.

Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong have resigned their positions as independent non-executive directors of the seventh session of the Board of the Company and their positions at the committees under the eighth session of the Board with effect from 31 August 2022. For details, please see the relevant announcement published by the Company on 31 August 2022.

Mr. Dong Yihua and Mr. Lin Hai have resigned their positions as independent supervisors of the seventh session of the Supervisory Committee of the Company with effect from 31 August 2022. For details, please see the relevant announcement published by the Company on 31 August 2022.

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 2022, 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 2022 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 2022 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 2022 and up to the date of this report, the Supervisory Committee comprised 6 Supervisors, and the Supervisors in office were as follows:

Name	Effective date of appointment as a Supervisor
Shareholder Representative Supervisors	
Mr. Wang Qingwei	7 June 2016
Employee Representative Supervisors	
Mr. Zhen Jianhui	15 April 2014
Ms. Li Xiangrong	7 June 2016
Ms. Lian Yuebin	15 August 2017
Independent Supervisors	
Mr. Dong Yihua	7 June 2016
Mr. Lin Hai	7 June 2016

Note: The Company has elected and appointed the shareholder representative supervisors and independent supervisors of the eighth session the Supervisory Committee on 31 August 2022. For details, please see the circular and relevant announcement published by the Company on 12 August 2022 and 31 August 2022, respectively.

Other Information

EMPLOYEES AND REMUNERATION POLICIES

The Group had 19,413 employees as at 30 June 2022 (31 December 2021: 22,014). Total staff costs for the six months ended 30 June 2022, including the Directors' remuneration, amounted to approximately RMB918 million (corresponding period in 2021: approximately RMB941 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 2022, the Group has conducted a total of 47 training courses with 3,557 participants and total curriculum duration of approximately 40,835 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 did not declare the payment of an interim dividend for the six months ended 30 June 2022.

AUDITOR OF THE COMPANY

The Shareholders considered and approved the ordinary resolution in respect of the appointment of BDO China SHU LUN PAN Certified Public Accountants LLP as the auditor of the Company at the annual general meeting of the Company held on 10 June 2022 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.

Review Report

Xin Kuai Shi Bao Zi[2022]No.ZM10081

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 2022, 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 period then ended and notes to the interim financial statements. The management of Yueyun Transportation is responsible for preparing the interim financial statements in accordance with “Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting”, issued by the Ministry of Finance of the People’s Republic of China. Our responsibility is to issue a 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 “Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting”.

BDO China SHU LUN PAN
Certified Public Accountants LLP

Certified Public Accountant of China:
Jiang Gan

Certified Public Accountant of China:
Zhang Xi

Certified Public Accountant of China:
Wang Yaohua

Shanghai • China

19 August 2022

Consolidated Balance Sheet (Unaudited)

As at 30 June 2022

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

	Note V	30 June 2022	31 December 2021
Assets			
Current Assets:			
Cash at bank and on hand		1,154,914,177.13	1,285,622,105.25
Bills receivable		170,000.00	–
Accounts receivable	1	397,457,069.00	378,590,943.97
Prepayments		454,117,222.81	168,113,324.84
Other receivables		518,425,472.73	498,008,067.64
Inventories		95,247,869.45	105,222,645.32
Other current assets		62,267,068.37	57,678,454.81
Total current assets		2,682,598,879.49	2,493,235,541.83
Non-current assets:			
Long-term equity investments	2	320,640,283.21	327,134,876.10
Investments in other equity instruments	3	4,224,048.22	4,224,048.22
Investment properties		156,014,134.93	150,589,454.52
Fixed assets	4	3,235,415,281.54	3,496,738,530.13
Construction in progress		85,172,177.14	68,174,239.36
Right-of-use assets	5	2,097,045,982.28	2,114,567,301.83
Intangible assets	6	906,514,804.54	936,127,852.13
Development expenditure		5,619,792.53	3,809,761.79
Goodwill		79,157,674.71	79,157,674.71
Long-term deferred expenses		279,073,042.04	292,438,746.72
Deferred tax assets		264,138,932.79	264,796,763.44
Other non-current assets		127,851,193.38	312,637,972.17
Total non-current assets		7,560,867,347.31	8,050,397,221.12
Total assets		10,243,466,226.80	10,543,632,762.95

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

Consolidated Balance Sheet (Unaudited)

As at 30 June 2022

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

	Note V	30 June 2022	31 December 2021
Liabilities and shareholders' equity			
Current liabilities:			
Short-term loans	7	832,491,111.45	755,901,358.75
Bills payable		40,810,510.00	1,318,800.00
Accounts payable	8	557,385,047.82	648,328,265.32
Advances from customers		123,451,888.85	104,758,388.69
Contract liabilities		33,439,870.46	57,235,918.46
Employee benefits payable		207,470,943.79	213,820,256.35
Taxes payable		70,777,574.24	79,012,017.03
Other payables		708,634,826.42	725,039,603.36
Non-current liabilities due within one year	9	1,011,105,203.85	1,014,008,729.14
Other current liabilities		35,000,000.00	35,000,000.00
Total current liabilities		3,620,566,976.88	3,634,423,337.10
Non-current liabilities:			
Long-term loans	10	1,084,591,406.99	1,136,438,363.52
Bonds payable	11	–	–
Lease liabilities	12	1,973,084,410.35	2,059,766,502.67
Long-term payables		188,077,200.93	195,830,684.95
Long-term employee benefits payable		183,044,260.04	183,373,836.55
Deferred income	13	473,609,932.15	520,671,034.97
Deferred tax liabilities		70,371,137.03	70,419,505.38
Total non-current liabilities		3,972,778,347.49	4,166,499,928.04
Total liabilities		7,593,345,324.37	7,800,923,265.14

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

Consolidated Balance Sheet (Unaudited)

As at 30 June 2022

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

	Note V	30 June 2022	31 December 2021
Liabilities and shareholders' equity (continued)			
Shareholders' equity:			
Share capital		799,847,800.00	799,847,800.00
Capital reserve		20,371,669.11	20,204,510.54
Other comprehensive income		(34,777,278.60)	(38,549,691.47)
Specific reserve	14	26,172,956.20	22,981,970.80
Surplus reserve		228,567,221.55	228,567,221.55
Retained earnings	15	738,956,611.36	816,379,787.01
		<u>1,779,138,979.62</u>	<u>1,849,431,598.43</u>
Total equity attributable to shareholders of the Company			
Non-controlling interests		870,981,922.81	893,277,899.38
		<u>2,650,120,902.43</u>	<u>2,742,709,497.81</u>
Total shareholders' equity			
		<u>10,243,466,226.80</u>	<u>10,543,632,762.95</u>
Total liabilities and shareholders' equity			

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

Guo Jun Fa

Legal Representative

Huang Wenban

The person in charge
of accounting affairs

Leng Xuelin

The head of the
accounting department

Company Balance Sheet (Unaudited)

As at 30 June 2022

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

	Note XII	30 June 2022	31 December 2021
Assets			
Current Assets:			
Cash at bank and on hand		596,887,840.19	636,649,721.64
Accounts receivable	1	52,869,852.21	90,406,318.06
Prepayments		3,884,368.76	4,211,060.82
Other receivables		188,228,075.16	203,110,653.19
Inventories		581,958.97	130,282.04
Other current assets		681,325.69	292,401.24
Total current assets		843,133,420.98	934,800,436.99
Non-current assets:			
Long-term receivables		48,000,000.00	48,000,000.00
Long-term equity investments		1,829,232,418.47	1,812,300,670.05
Investments in other equity instruments		1,377,412.45	1,377,412.45
Fixed assets		5,842,468.47	6,217,973.63
Construction in progress		5,498,268.63	5,284,368.63
Right-of-use assets		11,690,795.78	15,037,084.26
Intangible assets		55,457,051.76	62,849,982.54
Long-term deferred expenses		1,185,294.14	1,843,440.42
Deferred tax assets		138,385,940.27	138,859,680.71
Total non-current assets		2,096,669,649.97	2,091,770,612.69
Total assets		2,939,803,070.95	3,026,571,049.68

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

Company Balance Sheet (Unaudited)

As at 30 June 2022

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

	30 June 2022	31 December 2021
Liabilities and shareholders' equity		
Current liabilities:		
Short-term loans	40,000,000.00	–
Accounts payable	16,546,692.10	49,506,088.13
Contract liabilities	5,119,519.72	24,536,630.18
Employee benefits payable	19,760,252.76	20,908,754.97
Taxes payable	5,021,084.78	5,445,435.04
Other payables	389,334,542.80	414,878,749.68
Non-current liabilities due within one year	439,446,057.34	430,717,503.04
	<u>915,228,149.50</u>	<u>945,993,161.04</u>
Total current liabilities	<u>915,228,149.50</u>	<u>945,993,161.04</u>
Non-current liabilities:		
Long-term loans	408,984,250.00	463,138,000.00
Bonds payable	–	–
Lease liabilities	4,595,176.22	8,033,355.20
	<u>413,579,426.22</u>	<u>471,171,355.20</u>
Total non-current liabilities	<u>413,579,426.22</u>	<u>471,171,355.20</u>
Total liabilities	<u>1,328,807,575.72</u>	<u>1,417,164,516.24</u>

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

Company Balance Sheet (Unaudited)

As at 30 June 2022

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

	30 June 2022	31 December 2021
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	229,114,461.18	229,114,461.18
Retained earnings	453,519,643.82	451,930,682.03
Total shareholders' equity	1,610,995,495.23	1,609,406,533.44
Total liabilities and shareholders' equity	2,939,803,070.95	3,026,571,049.68

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

Guo Jun Fa

Legal Representative

Huang Wenban

The person in charge
of accounting affairs

Leng Xuelin

The head of the
accounting department

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
I. Total operating income		2,915,061,721.44	3,092,466,602.37
Including: Operating income		2,915,061,721.44	3,092,466,602.37
II. Total operating costs		3,190,550,828.81	3,332,474,728.86
Including: Operating costs		2,763,543,465.01	2,880,099,012.22
Taxes and surcharges		17,561,539.12	22,568,385.29
Selling and distribution expenses		26,955,697.77	27,953,498.16
General and administrative expenses		272,779,828.41	281,710,805.01
Research and development expenses		1,447,743.14	–
Financial expenses	16	108,262,555.36	120,143,028.18
Add: Other income	17	189,102,219.67	164,626,918.37
Investment (loss)/income	18	(3,176,443.16)	6,522,290.38
Including: Income from investments in associates and joint ventures		(2,946,752.44)	6,751,981.10
Accrual of credit losses	19	(6,352,869.14)	(5,441,123.58)
Gains from asset disposals	20	11,708,170.50	4,538,582.44
III. Operating profit		(84,208,029.50)	(69,761,458.88)
Add: Non-operating income	21	7,884,209.66	5,834,749.86
Less: Non-operating expenses		2,090,107.05	7,476,497.65
IV. Loss before income tax		(78,413,926.89)	(71,403,206.67)
Less: Income tax expenses	22	28,738,025.49	52,585,420.95

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
V. Net profit		<u>(107,151,952.38)</u>	<u>(123,988,627.62)</u>
(1) Net loss classified by continuity of operations			
1. Net loss from continuing operations		<u>(107,151,952.38)</u>	(123,988,627.62)
2. Net loss from discontinued operations		<u>-</u>	<u>-</u>
(2) Net loss classified by ownership			
Attributable to:			
1. Shareholders of the Company		<u>(77,423,175.65)</u>	(60,764,972.12)
2. Non-controlling interests		<u>(29,728,776.73)</u>	<u>(63,223,655.50)</u>
VI. Other comprehensive income, net of tax		6,700,518.42	(1,798,751.71)
Other comprehensive income (net of tax) attributable to shareholders of the Company		3,772,412.87	(1,161,857.37)
(1) Items that will not be reclassified to profit or loss		-	624,460.20
1. Remeasurement of defined benefit plan		-	624,460.20
(2) Items that may be reclassified subsequently to profit or loss		3,772,412.87	(1,786,317.57)
1. Other comprehensive income that may be reclassified subsequently to profit or loss under the equity method		(1,109,461.62)	-
2. Translation differences arising from translation of foreign currency financial statements		4,881,874.49	(1,786,317.57)
Other comprehensive income (net of tax) attributable to non-controlling interests		<u>2,928,105.55</u>	<u>(636,894.34)</u>

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
VII. Total comprehensive income		(100,451,433.96)	(125,787,379.33)
Attributable to:			
Shareholders of the Company		(73,650,762.78)	(61,926,829.49)
Non-controlling interests		(26,800,671.18)	(63,860,549.84)
VIII. Earnings per share:			
(1) Basic earnings per share (RMB/share)	23	(0.10)	(0.08)
(2) Diluted earnings per share (RMB/share)	23	(0.10)	(0.08)

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

Guo Jun Fa

Legal Representative

Huang Wenban

The person in charge of
accounting affairs

Leng Xuelin

The head of the
accounting department

Company Income Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note XII	Amount for the period	Amount for the previous period
I. Operating income		56,622,204.94	84,257,697.45
Less: Operating costs		23,564,674.64	36,552,534.96
Taxes and surcharges		152,616.84	230,063.99
Selling and distribution expenses		55,083.58	(74,791.16)
General and administrative expenses		31,179,196.27	34,951,769.53
Financial expenses		13,400,388.42	16,887,701.17
Add: Other income		33,538.32	28,597.45
Investment (loss)/income	2	11,677,277.77	40,822,314.28
Including: Income from investments in associates and joint ventures		8,542,548.42	9,781,170.40
Accrual of credit losses		1,875,623.73	(771,099.15)
II. Operating loss		1,856,685.01	35,790,231.54
Add: Non-operating income		213,324.48	1,330,826.25
Less: Non-operating expenses		7,307.26	46,085.00
III. Loss before income tax		2,062,702.23	37,074,972.79
Less: Income tax expenses		473,740.44	(234,319.25)

Company Income Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note XII	Amount for the period	Amount for the previous period
IV. Net loss for the period		1,588,961.79	37,309,292.04
1. Net loss from continuing operations		1,588,961.79	37,309,292.04
2. Net loss from discontinued operations		–	–
V. Other comprehensive income, net of tax		–	–
VI. Total comprehensive income for the period		1,588,961.79	37,309,292.04

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

Guo Jun Fa
Legal Representative

Huang Wenban
The person in charge
of accounting affairs

Leng Xuelin
The head of the
accounting department

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
I. Cash flows from operating activities			
Proceeds from sale of goods and rendering of services		3,173,841,711.89	3,278,907,164.55
Tax refunds received		46,908,191.45	–
Cash received relating to other operating activities		135,130,138.58	315,461,703.32
		<hr/>	<hr/>
Sub-total of cash inflows		3,355,880,041.92	3,594,368,867.87
		<hr/>	<hr/>
Payment for goods and services		2,117,341,367.81	1,824,588,981.60
Payment to and for employees		930,525,374.66	933,047,107.64
Payment of various taxes		99,555,416.16	152,151,421.36
Payment relating to other operating activities		80,597,559.91	174,484,118.32
		<hr/>	<hr/>
Sub-total of cash outflows		3,228,019,718.54	3,084,271,628.92
		<hr/>	<hr/>
Net cash inflow from operating activities	24	127,860,323.38	510,097,238.95

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
II. Cash flows from investing activities			
Proceeds from investment income		30,248,955.28	1,800,000.00
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		11,059,420.07	6,171,865.75
Sub-total of cash inflows		41,308,375.35	7,971,865.75
Payment for acquisition of fixed assets, intangible assets and other long-term assets		127,148,620.97	220,547,820.27
Sub-total of cash outflows		127,148,620.97	220,547,820.27
Net cash outflow from investing activities		(85,840,245.62)	(212,575,954.52)

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
III. Cash flows from financing activities			
Cash receipts from capital contributions		8,060,206.00	–
Proceeds from borrowings		684,090,033.71	745,931,581.19
Cash received from other financing activities		9,792,565.68	1,572,247.14
		<u>701,942,805.39</u>	<u>747,503,828.33</u>
Sub-total of cash inflows		701,942,805.39	747,503,828.33
Repayments of borrowings		658,236,946.32	792,523,173.95
Payment for profit distributions or interest		53,325,100.73	82,060,224.26
Payment for other financing activities		146,173,414.84	145,089,417.14
		<u>857,735,461.89</u>	<u>1,019,672,815.35</u>
Sub-total of cash outflows		857,735,461.89	1,019,672,815.35
Net cash outflow from financing activities		(155,792,656.50)	(272,168,987.02)

Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Note V	Amount for the period	Amount for the previous period
IV. Effect of foreign exchange rate changes on cash and cash equivalents		<u>2,997,240.91</u>	<u>(2,928,401.89)</u>
V. Net decrease in cash and cash equivalents		(110,775,337.83)	22,423,895.52
Add: Cash and cash equivalents at the beginning of the period		<u>1,249,403,735.59</u>	<u>1,241,551,487.41</u>
VI. Cash and cash equivalents at the end of the period		<u>1,138,628,397.76</u>	<u>1,263,975,382.93</u>

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

Guo Jun Fa
Legal Representative

Huang Wenban
The person in charge
of accounting affairs

Leng Xuelin
The head of the
accounting department

Company Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the period	Amount for the previous period
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	82,418,232.44	73,800,605.95
Tax refunds received	858,645.64	–
Cash received relating to other operating activities	17,809,338.64	45,775,942.44
	<hr/>	<hr/>
Sub-total of cash inflows	101,086,216.72	119,576,548.39
	<hr/>	<hr/>
Payment for goods and services	49,951,553.81	13,815,892.75
Payment to and for employees	19,999,398.60	22,776,503.84
Payment of various taxes	1,511,492.41	1,950,613.16
Payment relating to other operating activities	41,784,360.83	105,296,935.33
	<hr/>	<hr/>
Sub-total of cash outflows	113,246,805.65	143,839,945.08
	<hr/>	<hr/>
Net cash outflow from operating activities	(12,160,588.93)	(24,263,396.69)

Company Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the period	Amount for the previous period
II. Cash flows from investing activities		
Proceeds from investment income	<u>29,036,473.43</u>	<u>31,041,143.88</u>
Sub-total of cash inflows	<u>29,036,473.43</u>	<u>31,041,143.88</u>
Payment for acquisition of fixed assets, intangible assets and other long-term assets	16,098.91	1,701,119.26
Payment for acquisition of investments	<u>8,389,200.00</u>	<u>21,212,800.00</u>
Sub-total of cash outflows	<u>8,405,298.91</u>	<u>22,913,919.26</u>
Net cash inflow from investing activities	<u>20,631,174.52</u>	<u>8,127,224.62</u>

Company Cash Flow Statement (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the period	Amount for the previous period
III. Cash flows from financing activities		
Proceeds from borrowings	40,000,000.00	163,000,000.00
Cash received from other financing activities	—	24,633,331.63
	<hr/>	<hr/>
Sub-total of cash inflows	40,000,000.00	187,633,331.63
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Repayments of borrowings	54,153,750.00	172,392,250.00
Payment for profit distributions or interest	9,553,123.54	11,287,364.45
Payment for other financing activities	24,525,593.50	2,440,263.00
	<hr/>	<hr/>
Sub-total of cash outflows	88,232,467.04	186,119,877.45
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net cash (outflow)/inflow from financing activities	(48,232,467.04)	1,513,454.18
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	—	—
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
V. Net decrease in cash and cash equivalents	(39,761,881.45)	(14,622,717.89)
Add: Cash and cash equivalents at the beginning of the period	636,649,721.64	660,332,955.71
	<hr/>	<hr/>
VI. Cash and cash equivalents at the end of the period	596,887,840.19	645,710,237.82
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

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Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the period							Non-controlling interests	Total shareholders' equity
	Attributable to shareholders of the Company						Sub-total		
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings			
I. Balance as at 31 December 2021	799,847,800.00	20,204,510.54	(38,549,691.47)	22,981,970.80	228,567,221.55	816,379,787.01	1,849,431,598.43	893,277,899.38	2,742,709,497.81
II. Balance as at 1 January 2022	799,847,800.00	20,204,510.54	(38,549,691.47)	22,981,970.80	228,567,221.55	816,379,787.01	1,849,431,598.43	893,277,899.38	2,742,709,497.81
III. Changes in equity for the period	-	167,158.57	3,772,412.87	3,190,985.40	-	(77,423,175.65)	(70,292,618.81)	(22,295,976.57)	(92,588,595.38)
(I) Total comprehensive income	-	-	3,772,412.87	-	-	(77,423,175.65)	(73,650,762.78)	(26,800,671.18)	(100,451,433.96)
(II) Shareholders' contributions and reduction	-	167,158.57	-	-	-	-	167,158.57	8,173,951.94	8,341,110.51
1. Ordinary shares contributed by non-controlling shareholders	-	-	-	-	-	-	-	8,060,206.00	8,060,206.00
2. Others	-	167,158.57	-	-	-	-	167,158.57	113,745.94	280,904.51
(III) Appropriation of profits	-	-	-	-	-	-	-	(6,516,197.24)	(6,516,197.24)
1. Distributions to shareholders	-	-	-	-	-	-	-	(6,516,197.24)	(6,516,197.24)
(IV) Internal transfer of equity	-	-	-	-	-	-	-	-	-
(V) Specific reserve	-	-	-	3,190,985.40	-	-	3,190,985.40	2,846,939.91	6,037,925.31
1. Accrued	-	-	-	14,896,513.87	-	-	14,896,513.87	9,477,348.66	24,373,862.53
2. Utilised	-	-	-	11,705,528.47	-	-	11,705,528.47	6,630,408.75	18,335,937.22
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Balance as at 30 June 2022	799,847,800.00	20,371,669.11	(34,777,278.60)	26,172,956.20	228,567,221.55	738,956,611.36	1,779,138,979.62	870,981,922.81	2,650,120,902.43

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the previous period								Total shareholders' equity
	Attributable to shareholders of the Company							Non-controlling interests	
	Share capital	Capital reserve	Other comprehensive income	Specific reserve	Surplus reserve	Retained earnings	Sub-total		
I. Balance as at 31 December 2020	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 as at 1 January 2021	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 for 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)
(I) Total comprehensive income	-	-	(1,161,857.37)	-	-	(60,764,972.12)	(61,926,829.49)	(63,860,549.84)	(125,787,379.33)
(II) Shareholders' contributions 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)
(III) Appropriation of profits	-	-	-	-	-	-	-	(20,335,461.78)	(20,335,461.78)
1. Distributions to shareholders	-	-	-	-	-	-	-	(20,335,461.78)	(20,335,461.78)
(IV) Internal transfer of equity	-	-	-	-	-	-	-	-	-
(V) Specific 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
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Balance as at 30 June 2021	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

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

Guo Jun Fa
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Company Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the period					Total equity
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	
I. Balance as at 31 December 2021	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>229,114,461.18</u>	<u>451,930,682.03</u>	<u>1,609,406,533.44</u>
II. Balance as at 1 January 2022	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>229,114,461.18</u>	<u>451,930,682.03</u>	<u>1,609,406,533.44</u>
III. Changes in equity for the period	-	-	-	-	1,588,961.79	1,588,961.79
(I) Total comprehensive income	-	-	-	-	1,588,961.79	1,588,961.79
(II) Shareholders' contributions and reduction	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	-
(IV) Internal transfer of equity	-	-	-	-	-	-
(V) Specific reserve	-	-	-	-	-	-
1. Accrued	-	-	56,345.90	-	-	56,345.90
2. Utilised	-	-	56,345.90	-	-	56,345.90
(VI) Others	-	-	-	-	-	-
IV. Balance as at 30 June 2022	<u>799,847,800.00</u>	<u>128,513,590.23</u>	<u>-</u>	<u>229,114,461.18</u>	<u>453,519,643.82</u>	<u>1,610,995,495.23</u>

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

Company Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended 30 June 2022

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

Items	Amount for the previous period					
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	Total equity
I. Balance as at 31 December 2020	<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 as at 1 January 2021	<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 for the period	-	-	-	-	37,309,292.04	37,309,292.04
(I) Total comprehensive income	-	-	-	-	37,309,292.04	37,309,292.04
(II) Shareholders' contributions and reduction	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	-
(IV) Internal transfer of equity	-	-	-	-	-	-
(V) Specific reserve	-	-	-	-	-	-
1. Accrued	-	-	86,756.55	-	-	86,756.55
2. Utilised	-	-	86,756.55	-	-	86,756.55
(VI) Others	-	-	-	-	-	-
IV. Balance as at 30 June 2021	<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>

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

Guo Jun Fa

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The person in charge
of accounting affairs

Leng Xuelin

The head of the
accounting department

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

In 2005, according to the shareholders' resolution of year 2004 and the revised Company's Memorandum and Articles, and being approved by State-owned Assets Supervision and Administration Commission of the State Council Guo Zi Gai Ge [2005] No. 62 and China Securities Regulatory Commission Zheng Jian Guo He Zi [2005] No. 21, the Company initially offered 138,000,000 H shares with a nominal value of RMB1 per H share on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), including 125,454,545 new H shares, and 12,545,455 H shares converted from domestic shares. The registered capital of the Company was changed to RMB417,641,867.00 after the placing and public offer.

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

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

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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 includes expressway service zones operation, road passenger transportation and auxiliary services. In addition, the Group also engaged in construction material supply and logistics service and other business in the reporting period.

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

This interim financial statements were approved by the board of directors of the Company on 19 August 2022.

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. Changes in the 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 FINANCIAL STATEMENTS

1. Basis of preparation

The interim financial statements of the Group have been prepared in accordance with the requirements of “Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting” issued by the Ministry of Finance of the People’s Republic of China (“MOF”), and the explanatory notes to the interim financial statements have been simplified as appropriate compared with the notes to the annual financial statements, and do not include all the information and disclosures presented in the annual financial statements. These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021 prepared by the Company. The interim financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

2. Going concern

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

As at 30 June 2022, the Group's current liabilities exceeded their current assets by RMB937,968,097.39. As at 30 June 2022, the Group have obtained the unutilised general facility of RMB3,395,974,450.00 granted by financial institutions, and the Group are expected to have sufficient financial support to pay off 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 receivables, recognition of cost of inventories, depreciation of fixed assets and right-of-use assets, amortisation of intangible assets, recognition and measurement of government grant and revenue, are adopted according to the specific characteristics of the Group's operations. Please refer to the relevant notes to the accounting policies.

1. Statement of compliance

The Group's interim financial statements have been prepared in accordance with the requirements of "Accounting Standard for Business Enterprises No. 32 – Interim Financial Reporting". These interim financial statements present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2022, and the consolidated financial performance and financial performance of the Company and the consolidated cash flows and cash flows of the Company for the period then ended.

2. Accounting Period

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

3. Operating cycle

The Group's operating cycle is 12 months.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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 Transactions 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

For the six months ended 30 June 2022

(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 procedure*

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.

(1) *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

For the six months ended 30 June 2022

(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 procedure *(Continued)*

(1) 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.

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For the six months ended 30 June 2022

(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 procedure (Continued)

(2) 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.

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(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 procedure (Continued)

(2) 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 of 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.

(3) 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 non-controlling 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.

(4) 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.

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(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:

- (1) the assets held solely by the Group and those jointly held on a pro-rata basis;
- (2) the liabilities assumed solely by the Group and those jointly assumed on a pro-rata basis;
- (3) the income generated from the sale of the products of the joint operation attributable to the Group;
- (4) the income generated by the joint operation from the sale of products on a pro-rata basis;
- (5) 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, please refer to Note III. 13. "Long-term equity investments".

8. Cash and cash equivalent

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

For the six months ended 30 June 2022

(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

For the six months ended 30 June 2022

(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

For the six months ended 30 June 2022

(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

(1) Financial assets at amortised cost

Financial assets measured at amortised cost include bills receivable and accounts receivable, other receivables, long-term receivables, and debt 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.

(2) 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 debt 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 the time of 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

For the six months ended 30 June 2022

(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)

(3) 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.

(4) 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.

(5) 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

For the six months ended 30 June 2022

(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)

(6) 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.

(7) 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.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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

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.

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:

- (1) The book value of the transferred financial asset;
- (2) 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).

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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)

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:

- (1) The book value of derecognised part;
- (2) The sum of the consideration for the derecognised part and the amount corresponding to the derecognition 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.

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.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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 (Continued)*

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 relative 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

For the six months ended 30 June 2022

(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.

(1) 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.

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

10. Financial instruments *(Continued)*

6) *Accounting treatment for impairment testing of financial assets (Continued)*

(1) 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 financial instruments which meet the following criteria, 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.

(2) 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.

(3) 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

For the six months ended 30 June 2022

(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)

(3) 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

For the six months ended 30 June 2022

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

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

(4) 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.

(5) 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

For the six months ended 30 June 2022

(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)

(6) 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 instruments

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 are categorised as 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 processing and other expenditures incurred in bringing the inventories to their present location and condition.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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 count system*

The Group maintains a perpetual inventory system.

5) *Amortisation method of low-value consumables and packaging materials*

- (1) Low-value consumables are amortised using one-off write-off method;
- (2) Packaging materials are amortised using one-off write-off method.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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's 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

For the six months ended 30 June 2022

(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

(1) 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 is 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.

(2) 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.

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For the six months ended 30 June 2022

(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

(1) 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.

(2) 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.

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(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)

(2) 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.

(3) 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 joint 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.

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For the six months ended 30 June 2022

(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)

(3) Disposal of long-term equity investments (Continued)

Where the Group loses the control over the investee on account of the partial disposal and any other reason, at the preparation of any single financial statements, if the remaining equity has the joint 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 joint 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.

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For the six months ended 30 June 2022

(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, which include 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:

- (1) It is probable that economic benefits associated with the assets will flow into the Group; and
- (2) 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

For the six months ended 30 June 2022

(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 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	3-20	0	5.00-33.33
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

For the six months ended 30 June 2022

(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, installation cost, borrowing costs capitalised 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:

- (1) 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;
- (2) Borrowing costs have already been incurred;
- (3) 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

For the six months ended 30 June 2022

(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 borrowing costs of general borrowings to be capitalised should be calculated by multiplying the weighted average of asset expenditure of the part of accumulated asset expenditure exceeding specific borrowings by the capitalisation rate for the used general borrowings. The capitalisation rate is determined based on the weighted 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.

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For the six months ended 30 June 2022

(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*

Category	Amortisation period (years)
Land use rights	20-70/uncertain
Joint operating earning rights	10
Software use right	5-10
Passenger service licenses	uncertain
Station franchise operating rights	38
Toll bridge franchise operating rights	28
Trademark rights	10
Trade mark 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

For the six months ended 30 June 2022

(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 (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.

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

3) 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

For the six months ended 30 June 2022

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

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

18. Intangible assets (*Continued*)

4) *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:

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

The expenditure attributable to the intangible assets during its development phase can be measured reliably.

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 is indication of impairment, goodwill is tested for impairment at least annually at the end of each year.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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

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 lives, 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, an impairment loss is 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 of disposal 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

For the six months ended 30 June 2022

(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 and intangible assets with indefinite useful lives shall be subject to impairment test at each period 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

For the six months ended 30 June 2022

(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-monetary 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*

(1) *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

For the six months ended 30 June 2022

(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)

(2) 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 benefit

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

For the six months ended 30 June 2022

(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 initial recognition date.

When recognising the best estimate amount, the Group takes 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

For the six months ended 30 June 2022

(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

For the six months ended 30 June 2022

(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

For the six months ended 30 June 2022

(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

(1) Road passenger transportation and auxiliary services

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

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

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 has accepted the services and the Group has a present right to payment.

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

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

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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)

(3) Taiping interchange assets operation revenue

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

(4) Sales of construction materials

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

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

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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

For the six months ended 30 June 2022

(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 recognized.

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

For the six months ended 30 June 2022

(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 utilized.

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

For the six months ended 30 June 2022

(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 respectively. 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

For the six months ended 30 June 2022

(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 (less any lease incentives received), 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.

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

For the six months ended 30 June 2022

(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

For the six months ended 30 June 2022

(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 classifies 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

For the six months ended 30 June 2022

(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. 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. The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group’s 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

For the six months ended 30 June 2022

(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. The related parties of the Group also include the joint venture(s) or associate(s) of the other members (including the parent and subsidiaries) in the same group that includes the entity, and the other joint venture(s) or associate(s) of the investors who exercise joint control over the entity, etc. 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 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.

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

1) *Loss allowances for accounts receivable*

Loss allowances for accounts receivable are always measured at an amount equal to lifetime 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.

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.

When estimating lifetime ECLs, significant judgments need to be made on the risk of default, all cash flows expected to be received, etc.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Significant accounting judgements and estimates (Continued)

2) *Impairment of assets other than inventories and financial assets*

As described in Note III. 21, assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount was calculated based on the present value of estimated future cash flows. In assessing value in use and the present value of estimated future cash flows, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

Performing impairment test for goodwill requires a calculation of the present value of estimated future cash flows of the asset group or a set of asset groups related to the goodwill, and an estimation of the future cash flows expected to arise from such asset group or such a set of asset groups. It also requires determining a suitable interest rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset.

3) *Depreciation and amortisation of assets such as investment properties, fixed assets, intangible assets and long-term deferred expenses*

Assets such as investment properties, fixed assets, intangible assets and long-term deferred expenses are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

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

33. Significant accounting judgements and estimates *(Continued)*

4) *Deferred tax assets*

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group exercises judgements about the estimated timing and amount of taxable profits of the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. Differences between such estimates and the actual timing and amount of future taxable profits and the actual applicable tax rates affect the amount of deferred tax assets that should be recognised.

5) *Liabilities of retirement benefits*

The Group recognises the defined benefit scheme provided to the retired and early retired employees in the future as a liability. The amount of the expenses and liabilities related to the scheme is calculated and paid based on various assumptions, including the discount rate, the growth rate of the salary during the retirement, the growth rate of medical expenses and other factors. Although management considers these assumptions to be reasonable, actual experience and changes in the assumptions will affect the expenses and liabilities related to the employee retirement benefits – defined benefit scheme of the Group.

34. Changes in significant accounting policies and accounting estimates

1) *Changes in significant accounting policies*

There is no change in accounting policies of the Group during the reporting period.

2) *Changes in significant accounting estimates*

There is no change in accounting estimates of the Group during the reporting period.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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
Cultural construction fee	Income from advertisements (Note 1)	3%
Corporate income tax	Taxable profit (Note 2)	25%, 20%
Hong Kong profits tax	Assessable profit (Note 3)	16.5%
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 rescue service (Note 5)	6%
VAT	Service income derived from highway facilities and other auxiliary facilities (Note 4)	9%, 6%, 5%
VAT	Income from toll (Note 6)	3%
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%
Land appreciation tax	Appreciation amount on property sold and applicable tax rate	40%, 60%
Property tax	The taxable residual value of the property	1.2%
Property tax	Rental income	12%

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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 Tongyi Landscape Co., Ltd.	20%
Shenzhen City Man Kam To Bus station Co., Ltd.	20%
Guangdong Yue Li Jia Passenger Transport Company (Guangzhou)	20%
Guangdong Province Transportation Engineering Company Limited	20%
Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd.	20%
Guangdong Yangjiang Vehicles Transportation Co., Ltd.	20%
Yangjiang Yueyun Langri Car Rental Co., Ltd.	20%
Dongyuan County Dengta Town Yueyun Property Lease Co., Ltd.	20%
Heyuan City Yueyun Tongxing Travel Company Limited	20%
Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	20%
Zhongshan City Eastern Station Co., Ltd.	20%
Dapu Vehicles Transportation 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%
Zhuhai Qiguan Sightseeing Bus Co., Ltd.	20%
Zhaoqing Yueyun Travel Service Co., Ltd.	20%
Huaiji County Yueyun City-Village Public Transportation Co., Ltd.	20%
Raoping Yueyun Public Transportation Co., Ltd.	20%
Chaozhou Changyun Service Co., Ltd.	20%
Guangdong Yueyun Development Co., Ltd.	20%
Guangdong FLY-E Logistics Technology 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%

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

IV. TAXATION (CONTINUED)

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.

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 an announcement [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 meet 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 implemented 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 23 February 2022, enterprises registered in Hong Kong are entitled to a one-off preferential tax treatment of 100% exemption of profit tax in 2022 with the maximum of HK\$10,000.

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.

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

For the six months ended 30 June 2022

(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, from 1 October 2019 to 31 December 2021, 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 VAT Policies for Promoting the Bailout and Development of Difficult Industries in the Service Sector” (Announcement [2022] No. 11), “Article 7 of The Announcement on deepening VAT reform” (Announcement [2019] No. 39) issued by MOF, National Tax Bureau and General Administration of Customs and “The Announcement on clarifying the policy for the deduction of VAT in the life service industry” (Announcement [2019] No.87) by MOF and National Tax Bureau, the implementation period of the policy for the additional deduction of VAT in the production and living services industry has been extended to 31 December 2022.

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.

According to “The Announcement on Extending the Implementation Period of Some Preferential Tax Policies” issued by the MOF and the State Administration of Taxation (No. 4 of 2022), The announcement clarifies that the implementation period of preferential tax policies stipulated in “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 and other documents will be extended to 31 December 2023.

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. According to “The Announcement on VAT Policies for Promoting the Bailout and Development of Difficult Industries in the Service Sector” (Announcement [2022] No. 11) issued by MOF, National Tax Bureau and General Administration of Customs, from 1 January 2022 to 31 December 2022, the income obtained by taxpayers from providing public transportation services will be exempt from value-added tax. The VAT tax that has been collected into the treasury before the announcement is exempted according to regulations can be credited against the VAT tax payable by the taxpayer in subsequent months or refunded to the treasury.

Note 6: According to “The Announcement on Exempting Small-scale VAT Taxpayers from VAT” (Announcement No. 15 [2022] issued by MOF and State Administration of Taxation, from 1 April 2022 to 31 December 2022, the VAT small-scale taxpayers whose taxable sale income subject to 3% tax rate, exempt from VAT; for prepaid VAT items subject to 3% prepaid tax rate, pre-paid value-added tax will be suspended.(Note: From 1 April 2021 to 31 March 2022, small-scale VAT taxpayers 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.)

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Accounts receivable

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

Aging	30 June 2022	31 December 2021
Within 3 months (inclusive)	225,680,147.72	255,866,780.91
Over 3 months but within 6 months (inclusive)	66,915,506.90	42,951,643.60
Over 6 months but within 1 year (inclusive)	75,162,786.34	41,151,890.58
Over 1 year but within 2 years (inclusive)	46,732,611.09	57,622,270.46
Over 2 years but within 3 years (inclusive)	14,439,483.73	10,412,048.07
Over 3 years	38,681,885.62	35,958,155.36
Sub-total	467,612,421.40	443,962,788.98
Less: Provision for bad and doubtful debts	70,155,352.40	65,371,845.01
Total	397,457,069.00	378,590,943.97

Note: The aging is counted starting from the date when accounts receivable are recognized.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

2) Disclosure of accounts receivable by provision methods for bad debts

Items	30 June 2022					31 December 2021				
			Provision for bad and doubtful debts		Book value			Provision for bad and doubtful debts		Book value
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts is made on an individual basis	18,506,005.94	3.96	18,506,005.94	100.00	-	18,506,005.94	4.17	18,506,005.94	100.00	-
Provision for bad debts is made on a collective basis	449,106,415.46	96.04	51,649,346.46	11.50	397,457,069.00	425,456,783.04	95.83	46,865,839.07	11.02	378,590,943.97
Including:										
Aging portfolio	449,106,415.46	96.04	51,649,346.46	11.50	397,457,069.00	425,456,783.04	95.83	46,865,839.07	11.02	378,590,943.97
Total	467,612,421.40	100.00	70,155,352.40		397,457,069.00	443,962,788.98	100.00	65,371,845.01		378,590,943.97

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

2) Disclosure of accounts receivable by provision methods for bad debts (Continued)

Provision for bad debts is made on an individual basis:

Items	30 June 2022			Reasons for accruing
	Amount	Provision for bad and doubtful debts	Provision ratio (%)	
Shenzhen Hongbao Trading Co., Ltd.	14,264,922.29	14,264,922.29	100.00	Not expected to be recovered
Guangzhou Junfa Trading Co., Ltd.	2,914,775.00	2,914,775.00	100.00	Not expected to be recovered
Zhuhai Yuexinyuan Trade Development Co., Ltd	1,285,603.65	1,285,603.65	100.00	Not expected to be recovered
Guangzhou Wen Hui Property Management Company Limited	40,705.00	40,705.00	100.00	Not expected to be recovered
Total	<u>18,506,005.94</u>	<u>18,506,005.94</u>		

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

2) Disclosure of accounts receivable by provision methods for bad debts (Continued)

Provision for bad debts is made on a collective basis:

Items	30 June 2022		
	Amount	Provision for bad and doubtful debts	Provision ratio (%)
Aging portfolio			
Road transportation and other service			
Within 1 year (inclusive)	274,696,578.76	13,734,828.94	5.00
Over 1 year but within 2 years (inclusive)	18,100,102.19	6,335,035.77	35.00
Over 2 years but within 3 years (inclusive)	12,566,948.06	6,283,474.03	50.00
Over 3 years	14,235,964.37	14,235,964.37	100.00
Sub-total	319,599,593.38	40,589,303.11	
Service zone operation			
Within 1 year (inclusive)	80,698,824.94	4,034,941.25	5.00
Over 1 year but within 2 years (inclusive)	1,915,563.59	191,556.36	10.00
Over 2 years but within 3 years (inclusive)	1,658,150.12	497,445.04	30.00
Over 3 years	2,170,146.51	1,085,073.25	50.00
Sub-total	86,442,685.16	5,809,015.90	
Constructions material supply			
Within 1 year (inclusive)	12,366,237.26	618,311.86	5.00
Over 1 year but within 2 years (inclusive)	26,703,745.31	2,670,374.53	10.00
Over 2 years but within 3 years (inclusive)	173,680.55	52,104.16	30.00
Over 3 years	3,820,473.80	1,910,236.90	50.00
Sub-total	43,064,136.92	5,251,027.45	
Total	449,106,415.46	51,649,346.46	

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

3) Movements of provision for bad and doubtful debts during the period is as follows:

Category	31 December 2021	Changes during the period			30 June 2022
		Charge into income statement	Disposal/ Written-off	Foreign currency financial statement translation differences	
Provision for bad debts is made on an individual basis	18,506,005.94	–	–	–	18,506,005.94
Provision for bad debts is made on a collective basis	46,865,839.07	4,644,608.52	–	138,898.87	51,649,346.46
Total	65,371,845.01	4,644,608.52	–	138,898.87	70,155,352.40

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. Long-term equity investments

Investee	Book balance as at 31 December 2021	Changes during this period					Book balance as at 30 June 2022	Provision for impairment as at 30 June 2022
		Additional investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declaring cash dividends or profits		
1. Joint ventures								
Guangdong Yuehuahui Business Management Co., Ltd. (note 1)	7,361,160.67	-	215,256.49	-	-	-	7,576,417.16	-
Zhuhai Yuegong Xinhai Transportation Co., Ltd. (note 2)	45,642,118.30	-	(8,949,585.07)	(1,109,461.62)	-	-	35,583,071.61	-
Guangdong Zhongyou Top-E Energy Trading Company Limited (note 3)	37,680,108.44	-	331,870.67	-	-	3,347,211.20	34,664,767.91	-
Guangdong Roadnet Innovalues Media Information Technology Co., Ltd.	3,105,334.23	-	(589,399.62)	-	-	-	2,515,934.61	-
Guangzhou Hehe Intelligent Technology Co., Ltd.	7,510.56	-	150,429.78	-	-	-	157,940.34	-
Shaoguan Yuehong Bus Station Company Limited	2,862,996.99	-	(160,891.07)	-	-	-	2,702,105.92	-
Sub-total	96,659,229.19	-	(9,002,318.82)	(1,109,461.62)	-	3,347,211.20	83,200,237.55	-
2. Associates								
Southern United Assets and Equity Exchange Co., Ltd.	62,169,306.74	-	8,182,156.76	-	-	-	70,351,463.50	-
Guangdong South Passenger Network Center Company Limited (note 4)	5,475,353.80	-	193,513.56	-	-	-	5,668,867.36	-
Qingyuan Zhongguan Development Co., Ltd.	346,823.50	-	933.18	-	-	-	347,756.68	-
Zhuhai Wandatong Hongkong- Zhuhai- Macau Bridge Port Passenger Service Co., Ltd.	6,288,550.15	-	31,918.60	-	(17,950.29)	-	6,302,518.46	-
Lufeng Shen-Shan Expressway Services Company Limited	1,255,600.63	-	834,738.77	-	-	-	2,090,339.40	-
Heyuan City Yueyun New Energy Co., Ltd.	233,296.01	-	-	-	-	-	233,296.01	233,296.01

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. Long-term equity investments (Continued)

Investee	Book balance as at 31 December 2021	Changes during this period					Book balance as at 30 June 2022	Provision for impairment as at 30 June 2022
		Additional investment	Investment gains and losses recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declaring cash dividends or profits		
2. Associates (Continued)								
Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	295,841.73	-	-	-	-	-	295,841.73	-
Guangzhou City Tianhe Coach Terminal Co., Ltd.	31,525,897.17	-	256,000.00	-	-	-	31,781,897.17	-
Guangdong Guangye Yueyun Natural Gas Company Limited	8,734,159.02	-	(880,555.48)	-	-	-	7,853,603.54	-
CNPC Yueyun Natural Gas Co. Ltd.	11,319,216.44	-	(727,391.37)	-	-	-	10,591,825.07	-
Shantou City Automobile Passenger Traffic Centre Co., Ltd.	22,572,973.52	-	(500,750.65)	-	-	-	22,072,222.87	-
Shantou City Chaoyang Yueyun Sky Island Transportation Co., Ltd.	-	-	-	-	-	-	-	-
Shenzhen Yueyun Investment Development Company Limited	47,553,475.85	-	(322,259.52)	-	11,592.88	-	47,242,809.21	-
Hui Ke Tong Technology (Zhuhai) Company Limited	220,019.40	-	(220,019.40)	-	-	-	-	-
Express Cross-Border Coach Management Company Limited	-	-	-	-	-	-	-	-
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	19,899,315.26	-	2,443.82	-	-	915,189.78	20,816,948.86	-
Guangdong-Hong Kong-Macao System Technology Co., Ltd.	-	-	-	-	-	-	-	-
Shaoguan Libao Technology Company Limited	2,144,957.82	-	314,042.59	-	-	-	2,459,000.41	-
Guangdong Guangye Shaoyun Natural Gas Co., Ltd.	930,000.00	-	-	-	-	-	930,000.00	930,000.00
Shaoguan City Danxia Mountain Travel Bus Company Limited	10,174,155.88	-	(1,122,463.58)	-	-	-	9,051,692.30	-
Shaoguan Huanya Vehicle Rental Co., Ltd.	500,000.00	-	13,259.10	-	-	-	513,259.10	-
Sub-total	231,638,942.92	-	6,055,566.38	-	(6,357.41)	-	238,603,341.67	1,163,296.01
Total	328,298,172.11	-	(2,946,752.44)	(1,109,461.62)	(6,357.41)	3,347,211.20	321,803,579.22	1,163,296.01

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

2. Long-term equity investments (Continued)

Note 1: The Group holds 50% equity of Guangdong Yuehuahui Business Management Co., Ltd. (hereinafter referred to as "Guangdong Yuehuahui"). According to the articles of association of Guangdong Yuehuahui, the shareholders of the company exercise their voting rights in proportion to their capital contributions. The board of directors consists of 5 directors, of which 3 are appointed by the Group and 2 are appointed by third-party shareholders. The resolutions of the board of directors must be unanimously approved by two-thirds of the directors. Therefore, Guangdong Yuehuahui is a joint venture of the Group.

Note 2: The Group holds a 49% stake in Zhuhai Yuegong Xinhai Transportation Co., Ltd. (hereinafter referred to as "Yuegong Xinhai"). According to the company's articles of association of Yuegong Xinhai, the resolution of the shareholders' meeting of the company must be unanimously passed by the voting rights held by the shareholders. Therefore, Yuegong Xinhai is a joint venture of the Group.

Note 3: The Group holds 51% equity of Guangdong Zhongyou Top-E Energy Trading Company Limited. According to the company's articles of association of Guangdong Zhongyou Top-E Energy Trading Company Limited, the shareholders of the company exercise their voting rights in proportion to their capital contributions, and the special resolutions of the shareholders' meeting are adopted by voting by shareholders representing more than two thirds of the voting rights. Therefore, Guangdong Zhongyou Top-E Energy Trading Company Limited is a joint venture of the Group.

Note 4: The Company and its subsidiary Zhuhai Gongyun Bus Terminal Co., Ltd. respectively hold 12% and 4% equity in Guangdong Nanyuetong Passenger Transport Networking Center Co., Ltd. (hereinafter referred to as "Nanyuetong"). According to the promoter agreement of Nanyuetong, the Company has appointed management personnel to serve as directors in Nanyuetong and enjoy the corresponding substantive right to participate in decision-making. Therefore, the Company has a significant influence on Nanyuetong, which is an associate of the Group.

3. Investment in other equity instruments

As at 30 June 2022 and 31 December 2021, investment in other equity instruments of the Group were equity investment. They are designated as equity investments at fair value through other comprehensive income ("FVTOCI"). The fair value measurement of the above equity investments is categorised in Level 3.

4. Fixed assets

1) Fixed assets and fixed assets liquidation

Items	30 June 2022	31 December 2021
Fixed assets	3,235,415,281.54	3,496,526,225.50
Fixed assets liquidation	—	212,304.63
Total	<u>3,235,415,281.54</u>	<u>3,496,738,530.13</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. Fixed assets (Continued)

2) Fixed assets

Items	Buildings and structures	Buildings improvements	Machinery and equipment	Electronic equipment, office equipment and others	Transportation vehicles	Total
1. Cost						
(1) Balance as at 31 December 2021	2,128,528,973.17	270,862,025.94	137,667,156.76	415,465,154.45	3,786,999,319.49	6,739,522,629.81
(2) Additions during the period	2,756,024.50	1,386,895.26	4,998,173.31	4,518,157.75	24,201,087.00	37,860,337.82
– Purchases	–	–	1,138,067.27	4,116,631.40	6,481,369.51	11,736,068.18
– Transfer from construction in progress	1,105,195.04	1,386,895.26	3,811,880.00	88,927.18	7,920,139.68	14,313,037.16
– Foreign currency financial statement translation differences	1,650,829.46	–	48,226.04	312,599.17	9,799,577.81	11,811,232.48
(3) Reductions during the period	8,556,851.27	884,898.47	558,332.20	7,076,919.00	127,908,666.83	144,985,667.77
– Disposals or discarding	–	884,898.47	558,332.20	7,076,919.00	127,908,666.83	136,428,816.50
– Transfer to investment properties	8,556,851.27	–	–	–	–	8,556,851.27
(4) Balance as at 30 June 2022	<u>2,122,728,146.40</u>	<u>271,364,022.73</u>	<u>142,106,997.87</u>	<u>412,906,393.20</u>	<u>3,683,291,739.66</u>	<u>6,632,397,299.86</u>
2. Accumulated depreciation						
(1) Balance as at 31 December 2021	584,314,917.60	160,519,050.81	65,804,132.10	275,359,396.62	2,152,823,790.15	3,238,821,287.28
(2) Additions during the period	42,619,320.12	5,552,961.45	5,644,161.46	19,838,914.85	211,209,699.08	284,865,056.96
– Accruals	41,751,048.74	5,552,961.45	5,597,014.69	19,664,679.81	202,715,141.15	275,280,845.84
– Foreign currency financial statement translation differences	868,271.38	–	47,146.77	174,235.04	8,494,557.93	9,584,211.12
(3) Reductions during the period	650,000.00	884,898.47	558,332.20	7,076,919.00	121,709,293.28	130,879,442.95
– Disposal or discarding	–	884,898.47	558,332.20	7,076,919.00	121,709,293.28	130,229,442.95
– Transfer to investment properties	650,000.00	–	–	–	–	650,000.00
(4) Balance as at 30 June 2022	<u>626,284,237.72</u>	<u>165,187,113.79</u>	<u>70,889,961.36</u>	<u>288,121,392.47</u>	<u>2,242,324,195.95</u>	<u>3,392,806,901.29</u>
3. Provision of impairment						
(1) Balance as at 31 December 2021	–	–	–	–	4,175,117.03	4,175,117.03
(2) Balance as at 30 June 2022	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,175,117.03</u>	<u>4,175,117.03</u>
4. Book value						
(1) Book value as at 30 June 2022	<u>1,496,443,908.68</u>	<u>106,176,908.94</u>	<u>71,217,036.51</u>	<u>124,785,000.73</u>	<u>1,436,792,426.68</u>	<u>3,235,415,281.54</u>
(2) Book value as at 31 December 2021	<u>1,544,214,055.57</u>	<u>110,342,975.13</u>	<u>71,863,024.66</u>	<u>140,105,757.83</u>	<u>1,630,000,412.31</u>	<u>3,496,526,225.50</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

4. Fixed assets (Continued)

2) Fixed assets (Continued)

Note: As at 30 June 2022, fixed assets of the Group with carrying amount of RMB267,381,266.17 (31 December 2021: RMB317,488,454.17) were pledged for bank loans, among which, RMB247,332,777.64 (31 December 2021: RMB295,746,756.11) were pledged for long-term loans, RMB20,048,488.53 (31 December 2021: RMB21,741,698.06) were pledged for short-term loans. As at 30 June 2022, fixed assets of the Group with carrying amount of RMB26,671,986.62 (31 December 2021: RMB19,761,962.23) were pledged for long-term payables.

3) Fixed assets for which the certificate of title has not been obtained

Except for the buildings for which the certificate of title is being processed, certain buildings and structures of the Group located in Guangzhou, Qingyuan, Foshan, Shaoguan, Zhaoqing, Shanwei, Meizhou and Heyuan etc. have not yet obtained the certificate of title due to historical reasons. As at 30 June 2022, the book value of such buildings and structures was RMB198,432,690.86 (31 December 2021: RMB200,527,990.97).

4) Fixed assets liquidation

Items	30 June 2022	31 December 2021
Transportation vehicles	—	212,304.63
Total	—	212,304.63

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. Right-of-use assets

Items	Buildings and structures	Lease of land	Transportation vehicles	Total
1. Cost				
(1) Balance as at 31 December 2021	2,639,953,925.67	102,241,012.32	659,929,990.76	3,402,124,928.75
(2) Additions during the period	143,829,209.50	4,973,254.68	–	148,802,464.18
– Additions of lease	143,176,094.21	4,973,254.68	–	148,149,348.89
– Foreign currency financial statement translation differences	653,115.29	–	–	653,115.29
(3) Reduction during the period	20,545,017.70	–	46,103,448.00	66,648,465.70
– Disposal	<u>20,545,017.70</u>	<u>–</u>	<u>46,103,448.00</u>	<u>66,648,465.70</u>
(4) Balance as at 30 June 2022	<u>2,763,238,117.47</u>	<u>107,214,267.00</u>	<u>613,826,542.76</u>	<u>3,484,278,927.23</u>
2. Accumulated depreciation				
(1) Balance as at 31 December 2021	959,572,478.01	39,696,778.48	288,288,370.43	1,287,557,626.92
(2) Additions during the period	89,015,993.93	3,167,193.99	33,934,334.35	126,117,522.27
– Accrual	88,541,285.51	3,167,193.99	33,934,334.35	125,642,813.85
– Foreign currency financial statement translation differences	474,708.42	–	–	474,708.42
(3) Reduction during the period	13,538,053.18	–	12,904,151.06	26,442,204.24
– Disposal	<u>13,538,053.18</u>	<u>–</u>	<u>12,904,151.06</u>	<u>26,442,204.24</u>
(4) Balance as at 30 June 2022	<u>1,035,050,418.76</u>	<u>42,863,972.47</u>	<u>309,318,553.72</u>	<u>1,387,232,944.95</u>
3. Book value				
(1) As at 30 June 2022	<u>1,728,187,698.71</u>	<u>64,350,294.53</u>	<u>304,507,989.04</u>	<u>2,097,045,982.28</u>
(2) As at 31 December 2021	<u>1,680,381,447.66</u>	<u>62,544,233.84</u>	<u>371,641,620.33</u>	<u>2,114,567,301.83</u>

Note: As at 30 June 2022, transportation vehicles of the Group with carrying amount of RMB207,717,505.31 were pledged for leases (31 December 2021: RMB366,181,756.83).

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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

Items	Land use rights	Computer software	Passenger service licenses	Station and toll bridge franchise operating rights	Line license use rights and route operation rights	Trademark rights and others	Total
1. Cost							
(1) Balance as at 31 December 2021	814,177,171.47	101,767,340.58	35,829,161.53	387,478,456.26	317,927,861.19	4,321,958.72	1,661,501,949.75
(2) Additions during the period	1,624,713.93	961,026.00	1,647,720.75	-	-	-	4,233,460.68
- Purchases	-	961,026.00	-	-	-	-	961,026.00
- Foreign currency financial statement translation differences	1,624,713.93	-	1,647,720.75	-	-	-	3,272,434.68
(3) Reductions during the period	3,431,958.20	494,076.66	-	-	-	-	3,926,034.86
- Disposal	3,431,958.20	494,076.66	-	-	-	-	3,926,034.86
(4) Balance as at 30 June 2022	812,369,927.20	102,234,289.92	37,476,882.28	387,478,456.26	317,927,861.19	4,321,958.72	1,661,809,375.57
2. Accumulated amortization							
(1) Balance as at 31 December 2021	178,661,892.93	57,730,032.87	-	290,750,164.15	196,223,263.02	2,008,744.65	725,374,097.62
(2) Additions during the period	9,389,942.25	6,476,034.54	-	5,649,958.26	10,294,629.16	114,292.26	31,924,856.47
- Accrual	8,696,192.41	6,476,034.54	-	5,649,958.26	10,294,629.16	114,292.26	31,231,106.63
- Foreign currency financial statement translation differences	693,749.84	-	-	-	-	-	693,749.84
(3) Reductions during the period	1,510,306.40	494,076.66	-	-	-	-	2,004,383.06
- Disposal	1,510,306.40	494,076.66	-	-	-	-	2,004,383.06
(4) Balance as at 30 June 2022	186,541,528.78	63,711,990.75	-	296,400,122.41	206,517,892.18	2,123,036.91	755,294,571.03
3. Book value							
(1) As at 30 June 2022	625,828,398.42	38,522,299.17	37,476,882.28	91,078,333.85	111,409,969.01	2,198,921.81	906,514,804.54
(2) As at 31 December 2021	635,515,278.54	44,037,307.71	35,829,161.53	96,728,292.11	121,704,598.17	2,313,214.07	936,127,852.13

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

(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)

Note 1: As at 30 June 2022, the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right (toll bridge franchise operating rights) with carrying amount of RMB48,642,224.76 was pledged as counter guarantee to GCGC in connection with the issuance of the 2014 corporate bonds of the Group as mentioned in Note V. 11 (31 December 2021: RMB53,504,666.40). In addition, land use rights with carrying amount of RMB142,556,191.27 (31 December 2021: RMB138,119,749.90) were pledged for bank loans, among which, RMB100,432,465.81 (31 December 2021: RMB95,210,187.94) were pledged for long-term loans and RMB42,123,725.46 (31 December 2021: RMB42,909,561.96) were pledged for short-term loans. As at 30 June 2022, land use rights with carrying amount of RMB1,025,674.00 (31 December 2021: RMB1,025,674.00) were pledged for long-term payables. As at 30 June 2022, there were no other restricted intangible assets of the Group.

Note 2: In addition to the land that are in the process of applying for the certificates of title, certain pieces of land of the Group located in the cities of Heyuan, Shanwei, Shaoguan and Yangjiang etc. have not yet obtained the certificates of ownership. As at 30 June 2022, the carrying amount of land use rights without certificate of title for the Group was RMB7,201,574.79 (31 December 2021: RMB7,282,924.59).

Note 3: As at 30 June 2022, land use rights with carrying amounts of RMB86,639,519.95 (31 December 2021: RMB87,038,912.42) were obtained through allocation.

7. Short-term loans

1) Classification of short-term loans

Items	30 June 2022	31 December 2021
Pledged loan (note 2)	6,000,000.00	–
Loans secured by mortgages (note 3)	155,286,145.16	176,216,071.36
Pledged and mortgaged loans (note 4)	5,000,000.00	5,000,000.00
Unsecured loans	666,204,966.29	574,685,287.39
Including: Loans from banks	502,204,966.29	374,685,287.39
Total	832,491,111.45	755,901,358.75

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

7. Short-term loans (Continued)

1) Classification of short-term loans (Continued)

- (1) As at 30 June 2022, the Group's short-term loans were borrowings from banks or Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") within 1 year, which bear interest rates ranging from 2.80%-6.50% per annum (31 December 2021: 1.90%-6.50%).
- (2) As at 30 June 2022, the pledged loan held by the Group is the loan borrowed by the subsidiary Shenzhen Yuegang Transport Company Limited with its 20% equity interest as the pledged assets.
- (3) For the details of assets mortgaged for secured loans as at 30 June 2022, please refer to Note V. 4 and 6.
- (4) As at 30 June 2022, the pledged and mortgaged loans held by the Group are the loans borrowed by the subsidiary Shanwei Yueyun Automobile Transportation Co., Ltd. with the comprehensive operation subsidy during the demonstration, promotion and application period of new energy bus in 2022 as the pledged assets and land as the collateral.

2) Overdue short-term loans

As at 30 June 2022, the Group had no overdue short-term loans (31 December 2021: Nil).

8. Accounts payable

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

Items	30 June 2022	31 December 2021
Materials payable	72,126,765.45	106,326,212.74
Transportation fee payable	85,938,603.17	99,719,661.91
Contract payments for cars	52,410,365.52	80,716,054.74
Progress payments for constructions	187,973,308.08	209,517,502.02
Expressway service zones contracts fee payable	70,631,935.71	60,658,167.60
Fuel expenses payable	24,491,058.46	26,580,236.10
Service fees payable	13,087,605.34	13,039,798.66
Others	50,725,406.09	51,770,631.55
Total	<u>557,385,047.82</u>	<u>648,328,265.32</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

8. Accounts payable (Continued)

2) The aging analysis of accounts payable according to the date of transaction is as follows:

Items	30 June 2022	31 December 2021
Within 1 year (inclusive)	259,423,823.50	506,796,666.07
Over 1 year but within 2 years (inclusive)	210,237,195.18	65,874,406.97
Over 2 years but within 3 years (inclusive)	28,602,217.60	17,523,935.48
Over 3 years	59,121,811.54	58,133,256.80
Total	<u>557,385,047.82</u>	<u>648,328,265.32</u>

3) Significant accounts payable with aging of more than one year:

As at 30 June 2022, the Group's accounts payable with ageing over one year is contract payments for cars, among which, individual amount over RMB10 million are as follows:

Items	30 June 2022	Reasons for unsettlement
Maoming Dianbai Eryun Transportation Co., Ltd.	19,100,294.00	Contract payments for cars undue.
Total	<u>19,100,294.00</u>	

9. Non-current liabilities due within one year

Items	Note V	30 June 2022	31 December 2021
Long-term loans due within one year	10	264,169,501.40	263,059,210.18
Bonds payable due within one year	11	391,160,102.49	390,873,016.30
Long-term payables due within one year		81,533,281.65	70,561,326.27
Lease liabilities due within one year	12	261,916,179.31	285,406,463.39
Bond interest payable due within one year		12,326,139.00	4,108,713.00
Total		<u>1,011,105,203.85</u>	<u>1,014,008,729.14</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Long-term loans

Items	30 June 2022	31 December 2021
Unsecured loans	930,068,973.88	1,003,241,356.69
Including: Loans from banks	807,568,973.88	871,623,254.73
Loans from GCG Finance	122,500,000.00	131,618,101.96
Loans secured by mortgages (note 2)	226,631,697.44	140,349,660.01
Pledged loans (note 3)	45,430,404.99	35,830,404.99
Mortgaged and guaranteed loans (note 4)	106,929,832.08	167,876,152.01
Pledged and mortgaged loans (note 5)	10,000,000.00	11,000,000.00
Pledged, mortgaged and guaranteed loans (note 6)	<u>29,700,000.00</u>	<u>41,200,000.00</u>
 Total	 <u>1,348,760,908.39</u>	 <u>1,399,497,573.70</u>
 Less: Long-term loans due within one year		
Including: Unsecured loans	146,414,764.36	104,410,379.16
Loans secured by mortgages	43,885,564.06	45,245,247.36
Pledged loans	13,430,404.99	14,630,404.99
Mortgaged and guaranteed loans	35,929,463.68	77,773,178.67
Pledged and mortgaged loans	10,000,000.00	3,000,000.00
Pledged, mortgaged and guaranteed loans	14,509,304.31	18,000,000.00
 Sub-total (Note V.9)	 <u>264,169,501.40</u>	 <u>263,059,210.18</u>
 Long-term loans due after 1 year	 <u>1,084,591,406.99</u>	 <u>1,136,438,363.52</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

10. Long-term loans (Continued)

- Note 1: As at 30 June 2022, all the Group's long-term loans were from banks and GCG Finance with interest rates ranging from 3.55% ~ 4.90% per annum (31 December 2021: 3.65% ~ 4.90%).
- Note 2: For the details of assets mortgaged for secured loans as at 30 June 2022, please refer to Note V. 4 and 6.
- Note 3: As at 30 June 2022, pledged loans held by the Group include the loans borrowed by Qingyuan Yueyun Vehicles Transportation Co., Ltd. with RMB500,000.00 as the pledge deposit and the loan borrowed by Shanwei Yueyun Automobile Transportation Co., Ltd. with the national subsidies of 2019 for energy saving and the operation of new energy vehicles as pledged assets.
- Note 4: As at 30 June 2022, mortgaged and guaranteed loans held by the Group include the loans borrowed by the subsidiaries: Heyuan Yueyun Motor Transportation Co., Ltd. with land as collateral, and joint liability guaranteed by shareholders for the remaining exposures in proportion to their shareholdings; and the loans borrowed by Guangdong Yueyun Langri Co., Ltd., Heyuan City Yueyun Motor Transportation Co., Ltd., Qingyuan Yueyun Vehicles Transportation Co., Ltd., Meizhou Yueyun Motor Transportation Co., Ltd. and Maoming Dianbai Yueyun Vehicles Transportation Co., Ltd., with vehicles as collateral and Zhengzhou Anchi Bonding Co., Ltd., which is the third party, as joint liability guarantee.
- Note 5: As at 30 June 2022, the pledged and mortgaged loans held by the Group are the loans borrowed by the subsidiary of the Company, Shanwei Yueyun Automobile Transportation Co., Ltd. with the comprehensive operation subsidy during the demonstration, promotion and application period of new energy bus in 2022 as the pledged assets and land as the collateral.
- Note 6: As at 30 June 2022, pledged, mortgaged and guaranteed loans held by the Group are the loan borrowed by Shanwei Yueyun Automobile Transportation Co., Ltd. with the national subsidies of 2019 for energy saving and the operation of new energy vehicles as pledged assets, with land as collateral and guaranteed by the Company at 51% joint and several liabilities.
- Note 7: As at 30 June 2022, there was no overdue borrowing by the Group (31 December 2021: Nil).

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

11. Bonds payable

1) Changes in bonds payable

Item	Issue amount	Issue date	Periods	31 December 2021	Amortisation for the period	Non-current liabilities due within one year (note V. 9)	30 June 2022
2014 corporate bond (first phase)	400,000,000.00	28/09/2015	7 years	390,873,016.30	287,086.19	391,160,102.49	-
Total	400,000,000.00			390,873,016.30	287,086.19	391,160,102.49	-

Note: On 28 September 2015, the Company entrusted Morgan Stanley Huaxin Securities Company Limited as the lead underwriter and issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB400.00 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. The Company will be entitled at its option to adjust the coupon 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 redeemed the bonds with the amount of RMB8,694,000.00 of bond principal without adjusting the coupon rate.

In connection with the issuance of these bonds, GCGC provided an unconditional and irrevocable joint liability guarantee in full on the principal and interest of the bonds. In the meantime, the Company provided counter guarantee to GCGC with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right (Note V. 6).

12. Lease liabilities

Items	30 June 2022	31 December 2021
Lease liabilities	2,235,000,589.66	2,345,172,966.06
Less: lease liabilities due within one year (note V. 9)	261,916,179.31	285,406,463.39
Total	1,973,084,410.35	2,059,766,502.67

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. Deferred income

Items	30 June 2022	31 December 2021
Government grant related to assets (Note V.26)	290,784,486.58	329,238,455.47
Prepayments of contracts	169,461,999.29	177,631,158.24
Rental of stations and advertising sites	13,363,446.28	13,801,421.26
Total	<u>473,609,932.15</u>	<u>520,671,034.97</u>

14. Specific reserve

Item	31 December 2021	Additions during the period	Reductions during the period	30 June 2022
Safety specific reserve	22,981,970.80	14,896,513.87	11,705,528.47	26,172,956.20
Total	<u>22,981,970.80</u>	<u>14,896,513.87</u>	<u>11,705,528.47</u>	<u>26,172,956.20</u>

Note: According to the letter of the General Office of the Emergency Management Department on soliciting opinions on the Administration instruction on using and provision of enterprises' safety specific reserve (Draft for comments) (Emergency Department Letter [2019] 428) and Administration instruction of safely operation of Guangdong Yueyun Transportation Co., Ltd., transportation enterprises should provide safety reserve monthly based on last year's actual operating income, at the rates of 1% for ordinary freight transportation service and 1.5% for passengers transportation service, respectively. Enterprises serve for production and storage of hazardous goods should set provision of safety reserve monthly based on last year's actual operating income.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. Retained earnings

Items	Amount for the period	Amount for the previous period
Retained earnings at the beginning of this year	816,379,787.01	1,052,303,964.69
Add: Net loss for the period attributable to the shareholders of the Company	<u>(77,423,175.65)</u>	<u>(60,764,972.12)</u>
Retained earnings at the end of the period	<u>738,956,611.36</u>	<u>991,538,992.57</u>

Note: During the current period, no dividend was declared by the Company (corresponding period in last year: no dividend was declared).

16. Financial expenses

Items	Amount for the period	Amount for the previous period
Interest expenses from loans, bonds and payables	55,427,161.62	56,111,057.95
Less: Borrowing costs capitalised	–	692,888.89
Net interest expenses	55,427,161.62	55,418,169.06
Less: Interest income	8,097,244.56	7,073,928.87
Exchange (gains)/losses	(3,273,884.12)	3,013,474.69
Amortisation of unrecognized financing charges	2,870,603.39	4,250,289.32
Interest expenses from lease liabilities	53,390,187.09	59,935,527.37
Others	<u>7,945,731.94</u>	<u>4,599,496.61</u>
Total	<u>108,262,555.36</u>	<u>120,143,028.18</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

17. Other income

Items	Amount for the period	Amount for the previous period
Government grants related to assets	41,298,228.63	38,700,514.60
Government grants related to income	126,190,062.26	100,756,064.44
VAT reduction and exemption, etc. (note)	21,613,928.78	25,170,339.33
Total	<u>189,102,219.67</u>	<u>164,626,918.37</u>

Note: Refer to Note IV. 2 note 4, note 5 and note 6 for preferential policies of VAT reduction and exemption.

Government grants included in other income:

Items	Amount for the period	Amount for the previous period	Related to assets/ Related to income
Subsidies for vehicles replacement	670,744.00	943,882.77	Related to assets
Subsidies for procurement of new energy vehicles	34,665,515.97	33,118,898.88	Related to assets
Subsidies for fixed asset renovation	3,542,101.28	3,138,949.52	Related to assets
Tax subsidies for vehicle purchase	212,765.94	199,999.97	Related to assets
Other subsidies related to assets	2,207,101.44	1,298,783.46	Related to assets
Subsidies for operation of bus line	77,350,793.01	77,588,995.05	Related to income
Subsidies of elderly concessionary travel card	24,159,142.21	15,740,093.12	Related to income
Others subsidies related to income	24,680,127.04	7,426,976.27	Related to income
Total	<u>167,488,290.89</u>	<u>139,456,579.04</u>	

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. Investment income

Items	Amount for the period	Amount for the previous period
Income from long-term equity investments under equity method	(2,946,752.44)	6,751,981.10
Others	(229,690.72)	(229,690.72)
Total	<u>(3,176,443.16)</u>	<u>6,522,290.38</u>

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

19. Accrual of credit losses

Items	Amount for the period	Amount for the previous period
Accounts receivable	(4,644,608.52)	(4,747,496.20)
Other receivables	(1,708,260.62)	(693,627.38)
Total	<u>(6,352,869.14)</u>	<u>(5,441,123.58)</u>

20. Gains from asset disposals

Items	Amount for the period	Amount for the previous period
Gains from disposal of fixed assets	1,923,577.74	2,368,321.63
Gains from disposal of other non-current assets	2,897,499.69	-
Gains from disposal of right-of-use assets	6,887,093.07	2,170,260.81
Total	<u>11,708,170.50</u>	<u>4,538,582.44</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

21. Non-operating income

Items	Amount for the period	Amount for the previous period
Gains on disposal of non-current assets	2,117,975.43	1,455,149.49
Government grants	2,128,134.22	140,796.46
Others	3,638,100.01	4,238,803.91
Total	<u>7,884,209.66</u>	<u>5,834,749.86</u>

Government grants included in non-operating income

Subsidy items	Amount for the period	Amount for the previous period	Related to assets/ Related to income
COVID-19 related subsidies	1,816,634.22	140,796.46	Related to income
Other subsidies	311,500.00	–	Related to income
Total	<u>2,128,134.22</u>	<u>140,796.46</u>	

22. Income tax expenses

1) *Income tax expenses*

Items	Amount for the period	Amount for the previous period
Current income tax expense	27,732,469.52	63,643,060.91
Deferred tax expense	1,005,555.97	(11,057,639.96)
Total	<u>28,738,025.49</u>	<u>52,585,420.95</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

23. Earnings per share

1) Basic earnings per share

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

Items	Amount for the period	Amount for the previous period
Consolidated net loss attributable to ordinary shareholders of the Company	(77,423,175.65)	(60,764,972.12)
Weighted average number of ordinary shares outstanding	799,847,800.00	799,847,800.00
Basic earnings per share	(0.10)	(0.08)
Including: Basic earnings per share from continuing operations	(0.10)	(0.08)

Weighted average number of ordinary shares is calculated as follows:

Items	Amount for the period	Amount for the previous period
Issued ordinary shares at the beginning and the end of the period	799,847,800.00	799,847,800.00
Weighted average number of ordinary shares at the end of the period	799,847,800.00	799,847,800.00

2) Diluted earnings per share

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding (diluted). The calculation result is the same as basic earnings per share.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

24. Supplement to cash flow statement

1) Supplement to cash flow statement

Supplement	Amount for the period	Amount for the previous period
1. Reconciliation of net loss to cash flows from operating activities:		
Net loss	(107,151,952.38)	(123,988,627.62)
Add: Provisions for credit loss	6,352,869.14	5,441,123.58
Depreciation of fixed assets and investment properties	278,214,735.57	327,807,643.20
Depreciation of right-of-use assets	125,642,813.85	126,396,700.63
Amortisation of intangible assets	31,231,106.63	31,641,292.62
Amortisation of long-term deferred expenses	34,258,249.76	28,028,918.07
Gains on disposal of fixed assets, intangible assets and other long-term assets	(11,708,170.50)	(4,538,582.44)
(Gains)/losses on disposal of fixed assets	(1,263,216.52)	2,545,534.22
Financial expenses	108,690,711.19	119,603,985.75
Investment loss/(income)	3,176,443.16	(6,522,290.38)
Decrease/(increase) in deferred tax assets	657,830.65	(19,119,416.24)
(Decrease)/increase in deferred tax liabilities	(48,368.35)	8,563,398.69
Decrease in inventories	9,974,775.87	1,268,137.96
(Increase)/decrease in operating receivables	(271,544,163.33)	121,941,114.06
Decrease in operating payables	(81,814,326.76)	(116,635,828.45)
Increase in specific reserve	3,190,985.40	7,664,135.30
	<u>127,860,323.38</u>	<u>510,097,238.95</u>
2. Change in cash and cash equivalents		
Cash and cash equivalents at the end of the period	1,138,628,397.76	1,263,975,382.93
Less: Cash and cash equivalents at the beginning of the period	1,249,403,735.59	1,241,551,487.41
	<u>(110,775,337.83)</u>	<u>22,423,895.52</u>

Note: The balance of other monetary funds of the Group at the end of this period is restricted, which was deducted from the balance of cash and cash equivalents. For information on other monetary funds, please refer to Note V. 25.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

24. Supplement to cash flow statement (Continued)

2) Details of cash and cash equivalents

Items	30 June 2022	31 December 2021
I. Cash at bank and on hand	1,138,628,397.76	1,249,403,735.59
Including: Cash on hand	5,808,769.23	6,387,201.07
Bank deposits available on demand	1,132,819,628.53	1,243,016,534.52
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents available on demand	<u>1,138,628,397.76</u>	<u>1,249,403,735.59</u>

25. Assets with restricted ownership or right of use

Items	Book value at the end of the period	Restricted reasons
Monetary funds	16,285,779.37	Pledged loan deposits, performance security deposits, tourism quality deposits and property maintenance funds
Fixed assets	294,053,252.79	Mortgage loan and long-term payable mortgage guarantee
Intangible assets	192,224,090.03	Mortgage loan, pledge counter-guarantee, long-term payable mortgage guarantee
Right-of-use asset	<u>207,717,505.31</u>	Leases collateral
Total	<u>710,280,627.50</u>	

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

26. Government grants

1) Government grants related to assets

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offsetting the loss of related costs and expenses		Items included in the current profit and loss or offsetting the loss of related costs and expenses
			Amount for the period	Amount for the previous period	
Subsidies for vehicles replacement	1,084,975.61	Deferred income	670,744.00	943,882.77	Other income
Subsidies for procurement of new energy vehicles	156,275,005.57	Deferred income	34,665,515.97	33,118,898.88	Other income
Subsidies for fixed assets renovation	107,628,801.32	Deferred income	3,542,101.28	3,138,949.52	Other income
Tax subsidies for vehicles purchase	11,812,515.78	Deferred income	212,765.94	199,999.97	Other income
Software development subsidies	300,000.00	Deferred income	-	-	Other income
Other subsidies related to assets	13,683,188.30	Deferred income	2,207,101.44	1,298,783.46	Other income
Total	290,784,486.58		41,298,228.63	38,700,514.60	

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

26. Government grants (Continued)

2) Government grants related to income

The amount included in the current profit and loss or offsetting the loss of related costs and expenses

Items	Amount for the period	Amount for the previous period	Items included in the current profit and loss or offsetting the loss of related costs and expenses
Fuel subsidies	124,461,847.33	2,889,758.11	Operating costs
Subsidies for operation of bus lines	77,350,793.01	77,588,995.05	Other income
Subsidies of elderly concessionary travel card	24,159,142.21	15,740,093.12	Other income
Other subsidies	24,680,127.04	7,426,976.27	Other income
COVID-19 related subsidies	1,816,634.22	140,796.46	Non-operating income
Other subsidies	311,500.00	–	Non-operating income
Total	252,780,043.81	103,786,619.01	

27. Net current liabilities

Items	30 June 2022	31 December 2021
Current assets	2,682,598,879.49	2,493,235,541.83
Less: Current liabilities	3,620,566,976.88	3,634,423,337.10
Net current liabilities	(937,968,097.39)	(1,141,187,795.27)

28. Total assets less current liabilities

Items	30 June 2022	31 December 2021
Total assets	10,243,466,226.80	10,543,632,762.95
Less: Current liabilities	3,620,566,976.88	3,634,423,337.10
Total assets less current liabilities	6,622,899,249.92	6,909,209,425.85

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

29. Lease

1) As a lessee

Items	Amount for the period	Amount for the previous period
Interest expense on lease liabilities	53,390,187.09	59,935,527.37
Short-term lease expenses applied the practical expedient	8,992,617.85	11,156,285.58
Variable lease payments not included in the measurement of lease liabilities	5,361,728.77	4,499,553.93
Income from sub-leasing right-of-use assets	224,519,741.80	226,565,709.27
Total cash outflow for leases	159,413,757.48	154,701,889.89

Note: The Group choose to adopt a simplified method for accounting treatment of rent concessions, such as rent remission and deferred payment, which are directly caused by the COVID-19 pandemic in accordance with "Regulations on Accounting Treatment for COVID-19- Related Rent Concessions".

There is no significant impact on the interim financial statements of the Group according to the adoption of the above simplified method for accounting treatment of rent concessions during the period.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

V. NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

29. Lease (Continued)

2) As a lessor

(1) Operating lease

Items	Amount for the period	Amount for the previous period
Lease income	235,412,966.28	324,715,834.75
Including: income related to variable lease payments not included in lease receipts	2,709,819.76	3,097,898.65

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

Remaining lease term	30 June 2022	31 December 2021
Within 1 year	244,609,265.37	519,603,130.04
Over 1 year but within 2 years	393,679,514.18	447,049,536.36
Over 2 years but within 3 years	330,629,326.47	368,902,361.03
Over 3 years but within 4 years	269,740,995.48	309,498,327.68
Over 4 years but within 5 years	235,012,309.54	262,010,275.76
Over 5 years	1,225,619,011.92	1,298,083,854.41
Total	2,699,290,422.96	3,205,147,485.28

VI. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Subsidiaries that are no longer included in the scope of consolidation during the current period

Haifeng Yueyun Vehicles Transportation Co., Ltd. and Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd., the subsidiaries of the Company, completed industrial and commercial deregistration during the period and have not been longer included in the scope of consolidation since then. The operating results and cash flows of the above companies before the date of cancellation have been included in the Group's consolidated income statement and consolidated cash flow statement for the period.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

1) Composition of the Group

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Guangdong Highway Media Company Limited	Guangdong China	Guangdong China	Limited liability company	Expressway services	100.00	100.00	Established
Yueyun Transportation (HK) Company Limited	Hong Kong China	Hong Kong China	Incorporated corporation	Material Logistics services	100.00	100.00	Established
Guangdong Top-E Expressway Service Zone Company Limited	Guangdong China	Guangdong China	Limited liability company	Expressway services	95.56	95.56	Business combinations involving enterprises under common control
Guangdong Tongyi Landscape Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Expressway services	100.00	100.00	Business combinations involving enterprises under common control
Guangdong Jindaoda Expressway Economic Development Company Limited	Guangdong China	Guangdong China	Limited liability company	Expressway services	100.00	100.00	Business combinations involving enterprises under common control
The Motor Transport Company of Guangdong and Hong Kong Limited (Note 1)	Hong Kong China	Hong Kong China	Incorporated corporation	Cross-border transportation services	62.00	71.43	Business combinations involving enterprises under common control
Gang Tong (HK) Motor Transport Company Limited	Hong Kong China	Hong Kong China	Limited liability company	Cross-border transportation services	100.00	100.00	Business combinations involving enterprises under common control
Guangdong Yue Li Jia Passenger Transport Company (Hong Kong)	Hong Kong China	Hong Kong China	Limited liability company	Cross-border transportation services	70.00	70.00	Business combinations involving enterprises under common control
The Motor Transport Company of Guangdong and Hong Kong (Guangzhou) Limited (Note 1)	Guangdong China	Guangdong China	Incorporated corporation	Cross-border transportation services	62.00	71.43	Business combinations involving enterprises under common control
Shenzhen Yuegang Transport Company Limited	Guangdong China	Guangdong China	Limited liability company	Cross-border transportation services	100.00	100.00	Business combinations involving enterprises under common control

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Guangdong Yue Li Jia Passenger Transport Company (Guangzhou)	Guangdong China	Guangdong China	Limited liability company	Cross-border transportation services	70.00	70.00	Business combinations involving enterprises under common control
Guangdong Province Transportation Engineering Company Limited	Guangdong China	Guangdong China	Limited liability company	Real Estate leasing	100.00	100.00	Business combinations involving enterprises under common control
Guangdong Vehicles Transportation Group Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Investment and domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Foshan City Yueyun Public Transportation Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	100.00	Business combinations involving enterprises under common control
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	59.62	59.62	Business combinations involving enterprises under common control
Foshan City Sanshui District Yueyun Traffic Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	100.00	Business combinations involving enterprises under common control
Guangdong Yueyun Traffic Rescue Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Traffic Rescue	100.00	100.00	Business combinations involving enterprises under common control
Shenzhen City Shenwei Lighter Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	55.00	55.00	Business combinations involving enterprises under common control
Guangdong Yueyun Langri Co., Ltd.	Guangdong China	Guangdong China	Incorporated corporation	Domestic transportation	51.00	51.00	Business combinations involving enterprises under common control

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For the six months ended 30 June 2022

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

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Yangchun City Yueyun Langri City-Village Railway Station Service Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Limited liability company	Station services	60.00	100.00	Business combinations involving enterprises under common control
Yangjiang City Yueyun Langri Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	65.00	65.00	Business combinations involving enterprises under common control
Yangchun City's Third Motor Transportation Co., Ltd. (Note 1)	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	70.00	100.00	Business combinations involving enterprises under common control
Yangchun City Yueyun Langri Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Yangxi County Yueyun Langri Passenger Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Zhongshan City Yueyun Tongxing Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	51.00	Business combinations involving enterprises under common control
Zhongshan City Eastern Station Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Station services	100.00	100.00	Business combinations involving enterprises under common control
Zhongshan City Yueyun Airport Express Passenger Traffic Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	70.00	70.00	Business combinations involving enterprises under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Guangzhou City Yueyun Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	51.00	Business combinations involving enterprises under common control
Guangzhou City Zengcheng Automobile Passenger Traffic Station Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Station services	60.00	60.00	Business combinations involving enterprises under common control
Heyuan City Yueyun Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	55.28	55.28	Business combinations involving enterprises under common control
Foshan City Yueyun Hexing Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Station services	51.00	51.00	Business combinations involving enterprises under common control
Guangdong Gangtong Vehicles Transportation Company Limited	Guangdong China	Guangdong China	Limited liability company	Cross-border transportation services	100.00	100.00	Established
Yangjiang City Yueyun Langri Passenger Transport Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Established
Heyuan City Chengnan Freight Station Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Station services	100.00	100.00	Established
Heyuan City Yueyun Tongxing Travel Company Limited	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises not under common control
Heyuan City Yueyun Lvdu Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises not under common control
Yangjiang City Yangzha New Image Public Transportation Company Limited	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	77.25	77.25	Business combinations involving enterprises not under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Yangjiang Yueyun Langri Car Rental Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Leasing Services	100.00	100.00	Established
Dongyuan County Dengta Town Yueyun Property Lease Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Property Management	100.00	100.00	Established
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	66.39	66.39	Business combinations involving enterprises not under common control
Yangshan County Yueyun Motor Inspection Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Vehicle Testing	100.00	100.00	Business combinations involving enterprises not under common control
Qingyuan City Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises not under common control
Shaoguan Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	59.69	59.69	Business combinations involving enterprises not under common control
Shaoguan Polycom Motor Vehicles Driving Training Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Motor Driver Training	100.00	100.00	Business combinations involving enterprises not under common control
Ruyuan Yao Autonomous County Shunda City-Village Public Passenger Transport Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises not under common control
Zhaoqing Yueyun Travel Service Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Tourism Services	100.00	100.00	Established

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Shanwei Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	51.00	Business combinations involving enterprises not under common control
Lufeng Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises not under common control
Shanwei City Yueyun New Energy Vehicles Service Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Station Service	100.00	100.00	Business combinations involving enterprises not under common control
Shanwei City Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	85.00	85.00	Business combinations involving enterprises not under common control
Guangdong Yueyun Development Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Commercial Service	100.00	100.00	Established
Haifeng Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Established
Luhe Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Established
Lufeng Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Established
Yangjiang City Hailing Yueyun Langri Travel Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	65.00	65.00	Established
Guangdong Yangjiang Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Huaiji County Yueyun City-Village Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises not under common control
Maoming City Dianbai District Yueyun Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	51.00	Established
Shaoguan City Guangshao Motor Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	51.00	51.00	Established
Meizhou Yueyun Vehicles Transportation Company Limited	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Meizhou Vehicles Passenger Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Xingning Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Dapu Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Wuhua Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Pingyuan Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Jiaoling Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Meizhou Jiangnan Vehicles Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Meizhou Vehicle Materials Supply Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Dapu Yueyun Motor Inspection Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Vehicle Testing	51.00	51.00	Business combinations involving enterprises under common control
Shenzhen City Man Kam To Bus station Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Property Management	100.00	100.00	Established
Chaozhou City Yueyun Vehicle Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Raoping Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Chaozhou City Yueyun Public Transportation Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Chaozhou Changyun Service Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Hotel service	100.00	100.00	Business combinations involving enterprises under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

1) Composition of the Group (Continued)

Full name of the subsidiary	Incorporation place	Registered place	Kind of legal entity	Business nature	Shareholding percentage (%)		Established or acquired
					Direct	Indirect	
Zuhai Gongyun Coach Terminal Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Zuhai Gongqi Taxi Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Zuhai Qiguan Sightseeing Bus Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Domestic transportation	100.00	100.00	Business combinations involving enterprises under common control
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	Guangdong China	Guangdong China	Limited liability company	Wholesale of oil	51.00	51.00	Business combinations involving enterprises not under common control
Guangdong FLY-E Logistics Technology Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Commercial Service	51.72	51.72	Business combinations involving enterprises not under common control
Guangning Lihao Property Management Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Property Management	100.00	100.00	Established
Heyuan Yuancheng Xinyun Property Management Co., Ltd.	Guangdong China	Guangdong China	Limited liability company	Property Management	100.00	100.00	Established

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

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

2) Material 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	(6,124,461.41)	–	73,654,638.43
Foshan City Yueyun Public Transportation Co., Ltd.	49.00	431,449.75	–	154,337,888.53
Zhaoqing City Yueyun Motor Transportation Co., Ltd.	40.38	(3,327,044.01)	–	64,994,854.48
Guangong Yueyun Langri Co., Ltd.	49.00	(14,312,292.41)	–	109,190,618.37
Heyuan City Yueyun Motor Transportation Co., Ltd.	44.72	(16,568,552.78)	–	16,177,825.76
Qingyuan Yueyun Vehicles Transportation Co., Ltd.	33.61	(5,541,376.01)	–	125,492,676.29
Shaoguan Yuryun Vehicles Transportation Co., Ltd.	40.31	(188,364.13)	–	101,424,078.02
Guangdong Zhong Yue Tong Oil Products Operation Company Limited	49.00	28,535,585.72	–	196,596,052.87

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint arrangements or associates

1) Material joint ventures or associates

Name of enterprise	Incorporation place	Registered place	Business nature	Shareholding percentage (%)	Accounting for investments in joint ventures or associates	Strategic to the Group's activities
Guangdong Zhongyou Top-E Energy Trading Company Limited	Guangdong China	Guangdong China	Wholesale of oil	51.00	Equity method	Yes
Zhuhai 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

Note 1: As at 30 June 2022, 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.

Note 2: All joint ventures and associates of the Group are non-listed companies. As at 30 June 2022, the ability to transfer fund from the above joint ventures and associates to the Group is not restricted (31 December 2021: Nil).

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the parent of the Company

Parent company	Registered place	Business nature	Registered capital	Shareholding percentage (%)	Voting rights percentage (%)
GCGC	Guangdong province, the PRC	Investment management	26,800,000,000.00	74.12	74.12

The ultimate holding company of the Company is GCGC, the registered address is Room 605, No.83 and 85, Baiyun Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC, and the legal representative of the ultimate holding company of the Company is Deng Xiaohua.

2. Information on the subsidiaries of the Company

Information on the subsidiaries of the Company is disclosed in Note VII. Interests in other entities.

3. Information on joint ventures and associates

For information about the joint ventures and associates of the Group, please refer to Note V.2 Long-term equity investments.

4. Information on other related parties

Other related parties	Other related parties
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 Dachao Expressway Co., Ltd.	Controlled by the ultimate holding company
Guangdong Guangfozhao Expressway Company Limited	Controlled by the ultimate holding company
Guangdong Guanghui Expressway Co., Ltd.	Controlled by the ultimate holding company
Guangdong Guangle Expressway Co., Ltd.	Controlled by the ultimate holding company
Guangdong Guangzhu Expressway West Section Co., Ltd.	Controlled by the ultimate holding company

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

Other related parties

Guangdong Humen Bridge Co., Ltd.

Guangdong Huiqing Expressway Co., Ltd.

Guangdong Jiangzhong Expressway Co., Ltd.

Guangdong Yunmao Expressway Co., Ltd.

Guangdong Jiaoke Testing Co., Ltd.

Guangdong Kaiyang Expressway Co., Ltd.

Guangdong Lea Top Technology Investment Co. Ltd.

Guangdong Lea Top Development Investment Co. Ltd.

Guangdong Union Electronic Services Co., Ltd.

Guangdong Luoyang Expressway Co., Ltd.

Guangdong Maozhan Expressway Co., Ltd.

Guangdong Meihe Expressway Co., Ltd.

Guangdong Meiping Expressway Co., Ltd.

Guangdong South China Logistics Enterprise Co., Ltd.

Guangdong Ninghua Expressway Co., Ltd.

Guangdong Pingxing Expressway Co., Ltd.

Guangdong Shanfen Expressway Co., Ltd.

Guangdong Provincial Expressway Development Co., Ltd.

Other related parties

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

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Controlled by the ultimate holding company

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

Other related parties

Guangdong Provincial Freeway Co., Ltd.

Guangdong Provincial Highway Construction Co., Ltd.

Guangdong Province Gongbei Vehicles Automobile Transportation Co., Ltd.

GCG Finance

Guangdong Province Road & Bridge Construction Development Co., Ltd.

Guangdong Taishan Coastal Expressway Co., Ltd.

Guangdong Yangmao Expressway Co., Ltd.

Guangdong Zhaoyang Expressway Co., Ltd.

Guangdong Zihui Expressway Co., Ltd.

Guangfo Expressway Co., Ltd.

Guang-Shen-Zhu Expressway Co., Ltd.

Heyuan Helong Expressway Co., Ltd.

Jingzhu Expressway Guangzhu Section Co., Ltd.

Kee Kwan Motor Road Co., Ltd.

Shenzhen Yueyun Investment Development Co., Ltd.

Weisheng Transportation Enterprises Co., Ltd.

Yunfu City Guangyun Expressway Co., Ltd.

Other related parties

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

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Controlled by the ultimate holding company

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

Other related parties

Dongguan Weisheng International Logistics Company Limited

Guangdong Lea Top Property Development Company Limited

Xin Yue (Guangzhou) Financial Leasing Co., Ltd.

Guangdong Hualu Traffic Technology Co. Ltd.

Zhaoqing Yuezhao Highway Co., Ltd.

Guangzhou Hehe Intelligent Technology Co., Ltd.

Poly Changda Engineering Co., Ltd.

Guangdong Jingzhu Expressway Guangzhu North Section Co., Ltd.

Shenzhen Huiyan Expressway Co., Ltd.

Foshan Guangsan Expressway Co., Ltd.

Guangdong Heyuan Car Transport Group Co., Ltd.

Other related parties

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Controlled by the ultimate holding company

Joint venture of the ultimate holding company

Joint venture of the ultimate holding company

Associates of the ultimate controlling party

Associates of the ultimate controlling party

Associates of the ultimate controlling party

Associates of the ultimate controlling party

other related parties

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties

Transactions between the Group and its related parties are indicated as follows:

Related party transactions that constitute to continuing connected transactions under Chapter 14A of the Listing Rules.

β Related party transactions that constitute to connected transactions under Chapter 14A of the Listing Rules.

The following related party transactions are conducted based on normal commercial terms or according to relevant agreements.

1) Purchases and rendering and receipt of services

Purchases and receipt of services

Related parties	Caption	Amount for the period	Amount for the previous period
Guangdong South China Logistics Enterprise Company Limited [#]	Purchase of materials	–	22,211,722.90
Guangdong Yuehuahui Business Management Company Limited	Purchase of materials	6,662,027.51	8,724,590.90
Guangdong Guangye Yueyun Natural Gas Co., Ltd.	Purchase of materials	1,800,993.17	1,694,650.66
Shaoguan Libao Technology Company Limited	Purchase of materials	804,143.95	112,840.00
Others	Purchase of materials	26,548.67	–
Total		<u>9,293,713.30</u>	<u>32,743,804.46</u>
Guangdong Humen Bridge Company Limited [#]	Receipt of services	2,577,071.41	2,400,000.00
Other ^β	Receipt of services	3,102,334.06	3,098,819.45
Total		<u>5,679,405.47</u>	<u>5,498,819.45</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

1) Purchases and rendering and receipt of services (Continued)

Sales of goods and rendering of services

Related parties	Descriptions	Amount for the period	Amount for the previous period
Guangdong Zhongyou Top-E Energy Trading Company Limited	Expressway service operation income	747,993.81	700,000.02
Others	Expressway service operation income	3,528,317.41	1,492,443.78
Total		<u>4,276,311.22</u>	<u>2,192,443.80</u>
Guangdong Chao-Hui Expressway Company Limited [#]	Logistics service income	279,514.56	583,495.15
Guangdong Lea Top Technology Investment Co. Ltd. [#]	Logistics service income	921,514.56	641,008.74
Others [#]	Logistics service income	2,851,028.83	2,784,359.22
Total		<u>4,052,057.95</u>	<u>4,008,863.11</u>
Others ^β	Repairing income	301,586.41	669,774.80
Total		<u>301,586.41</u>	<u>669,774.80</u>
Others ^β	Rendering of other services income	327,185.94	1,292,657.45
Total		<u>327,185.94</u>	<u>1,292,657.45</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

1) Purchases and rendering and receipt of services (Continued)

Sales of goods and rendering of services (Continued)

Related parties	Descriptions	Amount for the period	Amount for the previous period
Guangdong Province Road & Bridge Construction Development Co., Ltd.#	Road rescue service income	9,456,595.42	8,887,787.10
Guangdong Provincial Highway Construction Co., Ltd.#	Road rescue service income	2,354,112.74	2,879,762.04
Guangdong Guangle Expressway Co., Ltd.#	Road rescue service income	2,246,793.96	2,941,980.41
Guangdong Chao-Hui Expressway Company Limited#	Road rescue service income	2,031,496.98	2,205,873.90
Guangdong Provincial Freeway Co., Ltd.#	Road rescue service income	1,681,062.29	3,638,555.44
Guangdong Guangfozhao Expressway Company Limited#	Road rescue service income	1,322,999.72	1,732,351.40
Guangdong Guanghui Expressway Co., Ltd.#	Road rescue service income	1,165,005.34	1,234,905.64
Guangdong Yunmao Expressway Co., Ltd.#	Road rescue service income	982,084.36	–
Guangdong Huiqing Expressway Co., Ltd.#	Road rescue service income	947,739.40	1,044,000.00
Guangdong Dachao Expressway Co., Ltd.#	Road rescue service income	913,606.25	854,490.54

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

1) Purchases and rendering and receipt of services (Continued)

Sales of goods and rendering of services (Continued)

Related parties	Descriptions	Amount for the period	Amount for the previous period
Guangdong Bo-Da Expressway Company Limited [#]	Road rescue service income	728,841.65	1,233,190.99
Others [#]	Road rescue service income	6,696,718.68	10,975,721.08
Total		<u>30,527,056.79</u>	<u>37,628,618.54</u>

2) Entrusted management and outsourcing

Entrusted management and outsourcing of the Group:

Consignor	Contractor	Contract object	Start date	End date	Pricing basis	Contract cost for the period
Guangdong Provincial Freeway Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2003/4/3	2045/9/25	Negotiated price	9,413,464.20
Guangdong Humen Bridge Company Limited [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2022/1/8	2029/5/8	Negotiated price	8,912,123.46
Guangdong Province Road & Bridge Construction Development Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2010/7/1	2040/12/31	Negotiated price	7,755,824.76
Guangdong Provincial Highway Construction Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2019/3/31	2043/12/31	Negotiated price	7,532,414.58

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

2) Entrusted management and outsourcing (Continued)

Entrusted management and outsourcing of the Group: (Continued)

Consignor	Contractor	Contract object	Start date	End date	Pricing basis	Contract cost for the period
Guangdong Guangzhu Expressway West Section Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2013/1/25	2038/1/23	Negotiated price	5,474,249.39
Guangdong Guangle Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2014/9/27	2039/9/26	Negotiated price	5,165,604.72
Guangdong Chao-Hui Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2003/12/29	2041/12/31	Negotiated price	4,556,819.04
Lufeng Shenshan Expressway Service Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2021/9/20	2030/9/19	Negotiated price	4,327,139.10
Guangdong Guangfozhao Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2016/12/31	2041/12/31	Negotiated price	3,840,404.10
Guangdong Ninghua Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2020/7/30	2042/9/27	Negotiated price	3,258,149.22
Guangdong Kaiyang Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2020/7/9	2027/7/23	Negotiated price	3,160,996.92
Guang-Shen-Zhu Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2018/2/1	2027/6/30	Negotiated price	2,388,941.22

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

2) Entrusted management and outsourcing (Continued)

Entrusted management and outsourcing of the Group: (Continued)

Consignor	Contractor	Contract object	Start date	End date	Pricing basis	Contract cost for the period
Guangdong Bo-Da Expressway Company Limited [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2013/3/31	2039/12/27	Negotiated price	2,092,077.12
Guangdong Meihe Expressway Company Limited [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2005/11/30	2033/12/27	Negotiated price	1,694,449.92
Guangdong Yang-Mao Expressway Company Limited [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2004/12/1	2029/11/30	Negotiated price	1,449,472.44
Guangdong Provincial Expressway Development Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2012/12/26	2036/3/14	Negotiated price	1,353,201.06
Guangdong Dachao Expressway Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2020/12/28	2045/12/29	Negotiated price	1,215,438.60
Guangdong Maozhan Expressway Company Limited [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2004/11/26	2040/12/29	Negotiated price	1,199,253.00
Guangdong Zhaoyang Expressway Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2011/1/1	2039/12/31	Negotiated price	1,153,945.02
Guangdong Jiangzhong Expressway Co., Ltd. [#]	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2016/1/1	2027/8/26	Negotiated price	1,039,684.92

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

2) Entrusted management and outsourcing (Continued)

Entrusted management and outsourcing of the Group: (Continued)

Consignor	Contractor	Contract object	Start date	End date	Pricing basis	Contract cost for the period
Guangdong Luoyang Expressway Co., Ltd.#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services	2016/10/31	2041/10/30	Negotiated price	1,013,484.36
Others#	Guangdong Tongyi Expressway Service Area Co., Ltd.	Expressway services			Negotiated price	10,224,332.65
Guangdong Guangzhu Expressway West Section Co., Ltd.#	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2013/12/1	2023/11/30	Negotiated price	2,850,302.04
Guangdong Provincial Freeway Co., Ltd.#	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2008/8/22	Termination date of the highway toll	Negotiated price	2,135,901.51
Guang-Shen-Zhu Expressway Co., Ltd.#	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2010/12/1	2027/6/30	Negotiated price	1,952,039.08
Foshan Guangsan Expressway Co., Ltd.#	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2012/10/10	Termination date of the highway toll	Negotiated price	1,522,167.89
Guangfo Expressway Co., Ltd.#	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/1/1	Termination date of the highway toll	Negotiated price	1,129,478.10

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

2) Entrusted management and outsourcing (Continued)

Entrusted management and outsourcing of the Group: (Continued)

Consignor	Contractor	Contract object	Start date	End date	Pricing basis	Contract cost for the period
Guangdong Humen Bridge Company Limited [#]	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2018/8/30	2023/8/29	Negotiated price	747,271.98
Guangdong Province Road & Bridge Construction Development Co., Ltd. [#]	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2009/7/15	Termination date of the highway toll	Negotiated price	680,221.05
Guangdong Provincial Highway Construction Co., Ltd. [#]	Guangdong Highway Media Company Limited	Expressway advertisement resources operation	2008/9/1	Termination date of the highway toll	Negotiated price	646,503.33
Others [#]	Guangdong Highway Media Company Limited	Expressway advertisement resources operation			Negotiated price	1,912,207.26
Weisheng Transportation Enterprises Co., Ltd. [#]	The Motor Transport Company of Guangdong and Hong Kong Limited	Passenger transportation contracting fee	2021/1/1	2023/12/31	Negotiated price	1,254,600.00
Weisheng Transportation Enterprises Co., Ltd. [#]	The Motor Transport Company of Guangdong and Hong Kong Limited	Disbursements of passenger transportation contracting fee	2021/1/1	2023/12/31	Negotiated price	224,168.86

Note: The Group has applied new leases standard since 1 January 2019. Under new leases standard, service area management contracting expenses include depreciation expense of right-of-use assets, interest expenses of lease liabilities, and variable lease payments not included in the measurement of lease liabilities.

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

2) Entrusted management and outsourcing of the Group (Continued)

Entrusted management and outsourcing: (Continued)

Consignor	Contractor	Contract object	Start date	End date	Pricing basis	Contract cost for the period
The Motor Transport Company of Guangdong and Hong Kong Limited	Weisheng Transportation Enterprises Co., Ltd.*	Freight transportation outsourcing income	2021-01-01	2023-12-31	Negotiated price	2,303,445.60
The Motor Transport Company of Guangdong and Hong Kong Limited	Weisheng Transportation Enterprises Co., Ltd.*	Disbursement freight outsourcing expenses	2021-01-01	2023-12-31	Negotiated price	2,373,769.35

3) Lease

The Group as the lessor:

Lessee	Type of assets leased	Lease income recognised for the period	Lease income recognised for the previous period
Guangdong South China Logistics Enterprise Company Limited	Buildings and structures	1,091,905.54	778,266.66
Others	Buildings and structures	176,591.79	760,922.50

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

3) Lease (Continued)

The Group as the lessee:

Lessor	Type of assets leased	Lease expenses recognised for the period	Lease expenses recognised for the previous period
Guangdong Lea Top Properties Investment Company Limited [#]	Buildings and structures	3,299,205.87	3,084,642.69
Guangdong Province Gongbei Vehicles Transportation Company Limited ^β	Buildings and structures	1,153,857.15	1,125,714.31
Kee Kwan Motor Road Company Limited ^β	Traffic line/Buildings and structures	390,000.00	766,500.00
Others ^β	Buildings and structures	1,686,879.65	1,585,160.40

The Group's acquisition of right-of-use assets:

Lessee	Type of assets leased	Amount for the period	Amount for the previous period
Guangdong Humen Bridge Co., Ltd.	Buildings and structures	133,333,333.13	–
Guangdong Taishan Coastal Expressway Co., Ltd.	Buildings and structures	5,722,784.86	–
Guangdong Ninghua Expressway Co., Ltd.	Buildings and structures	–	50,507,456.29
Guangdong Lea Top Development Investment Co. Ltd.	Buildings and structures	–	18,661,236.20

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

4) Guarantees

The Group as the guarantee holder:

Name of guarantor	Amount of guarantee	Inception date of guarantee	Maturity date of guarantee	Guarantee expired
GCGC	400,000,000.00	September 2015	September 2022	No

Note: As stated in notes V.11, in connection with the issuance of the bonds of the Company, 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.

5) Borrowing from and lending to related parties

Related parties	Loan amount	Start date	Expiry date
Loan in			
GCG Finance	122,000,000.00	2021-12-22	2022-12-21
GCG Finance	30,000,000.00	2021-12-22	2022-02-04
GCG Finance	48,000,000.00	2021-12-22	2022-06-29
GCG Finance	42,000,000.00	2022-01-21	2023-01-20
GCG Finance	6,000,000.00	2018-12-11	2023-12-10
GCG Finance	4,000,000.00	2018-12-11	2022-01-24
GCG Finance	20,000,000.00	2019-12-26	2024-12-25
GCG Finance	2,000,000.00	2019-12-26	2022-01-24
GCG Finance	15,000,000.00	2020-01-15	2023-01-14
GCG Finance	1,000,000.00	2020-01-15	2022-06-15
GCG Finance	29,000,000.00	2019-08-08	2022-08-07
GCG Finance	1,000,000.00	2019-08-08	2022-06-20
GCG Finance	15,000,000.00	2018-01-25	2028-01-24
GCG Finance	5,000,000.00	2018-05-28	2028-05-27
GCG Finance	15,000,000.00	2018-08-09	2028-08-08
GCG Finance	1,000,000.00	2018-08-09	2022-06-17
GCG Finance	17,500,000.00	2020-01-23	2023-01-22
GCG Finance	6,000,000.00	2022-03-09	2023-03-08
Guangdong Heyuan Automobile Transportation Group Co., Ltd.	8,304,600.00	2021-12-24	2022-01-07
Guangdong Heyuan Automobile Transportation Group Co., Ltd.	4,000,000.00	2022-02-01	2022-04-01
Guangdong Heyuan Automobile Transportation Group Co., Ltd.	500,000.00	2022-02-01	2022-03-10

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

6) Deposit in GCG Finance

Company name	30 June 2022	31 December 2021
GCG Finance	—	185,772.70
Total	—	185,772.70

Note: According to the intercompany settlement account management agreement and general agreement on deposit with GCG Finance, the Group opened a deposit account in GCG Finance with a demand interest rate or conventional interest rate. During the current and prior period, the deposit rate was range from be 0.3%~2.3%. The deposit was deposited in financial institution, and recorded as "Cash at bank and on hand" by the Group.

7) Interest income

Related party	Descriptions	Amount for the period	Amount for the previous period
GCG Finance	Deposit interest income	97,038.91	3,949,993.24
Total		97,038.91	3,949,993.24

8) Interest expenses

Related parties	Descriptions	Amount for the period	Amount for the previous period
GCG Finance	Loan interest expense	5,818,496.13	5,005,772.48
Shaoguan Libao Technology Company Limited	Interest expense of cash pool	3,488.53	1,234.45
Total		5,821,984.66	5,007,006.93

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions between the Group and its related parties (Continued)

9) Cash pool arrangement

Pursuant to the relevant agreements, the Group centrally collects and manages the funds from bank accounts (the "Cash Pool Accounts") of certain related party companies. The funds received are recorded as "other payables" and bear the same interest rate as demand deposit. During the current and prior period, the above deposit interest rate is range from 0.3%~0.35%. Please refer to Note VIII.6.2) Other payables – cash pool and Note VIII.5. 8) Interest expenses.

10) Trademark

During the current and prior period, GVTG granted some associates with the trademark use right of "Yueyun" at nil consideration.

11) Road and bridge tolls

The Group's subsidiaries which are engaged in transportation services paid road and bridge tolls to those road and bridge companies held by GCGC when providing transportation services according to the charging standards jointly formulated and announced by the local government and the price department, and paid certain road and bridge tolls to those road and bridge companies held by GCGC through Union Electronic.

12) Compensation for key management personnel

Item	Amount for the period	Amount for the previous period
Compensation for key management personnel	<u>2,672,550.38</u>	<u>2,963,557.33</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties

1) Amounts due from related parties

Items	Related parties	30 June 2022		31 December 2021	
		Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
Accounts receivable	Guangdong Province Road & Bridge Construction Development Co., Ltd.	7,564,437.99	379,322.80	2,190,718.08	109,535.90
	Poly Changda Engineering Co., Ltd.	2,275,990.03	113,799.50	-	-
	Guangdong Nanyuetong Passenger Transport Networking Center Co., Ltd.	1,731,104.82	84,409.62	2,018,690.65	100,934.53
	Guangdong Jiaoke Testing Company Limited	1,606,358.00	803,179.00	4,732,850.00	1,656,497.50
	Dongguan Weisheng International Logistics Company Limited	1,224,390.77	264,021.87	913,756.77	45,687.84
	Express Cross-Border Coach Management Company Limited	858,894.68	547,601.88	81,760.00	4,088.00
	Guangdong Zhongyou Top-E Energy Trading Company Limited	752,831.63	37,641.59	-	-
	Guangdong Provincial Freeway Co., Ltd.	660,174.66	33,008.73	1,840,735.61	767,037.61
	Guangdong Lea Top Technology Investment Co. Ltd.	643,448.00	32,172.40	285,039.00	14,251.95
	Guangdong Guangle Expressway Co., Ltd.	614,416.46	30,720.83	523,856.07	26,192.80
	Guangdong Chao-Hui Expressway Company Limited	451,941.42	22,633.24	451,941.41	22,597.07
	Guangdong Zihui Expressway Co., Ltd.	428,648.14	21,432.41	124,148.13	6,207.41
	Jingzhu Expressway Guangzhu Section Co., Ltd.	424,603.52	21,230.18	-	-
	Guangdong Guanghui Expressway Co., Ltd.	382,514.84	19,125.75	355,078.33	17,753.92
	Guangdong Yunmao Expressway Co., Ltd.	381,703.43	19,085.17	381,703.44	19,085.17
	Guang-Shen-Zhu Expressway Co., Ltd.	371,569.34	18,578.47	276,501.69	13,825.08
	Guangdong Provincial Highway Construction Co., Ltd.	327,409.85	16,370.50	542,366.08	27,118.30
	Guangdong Guangfozhao Expressway Company Limited	280,507.80	14,026.99	280,507.81	14,025.39
	Guangdong Luoyang Expressway Co., Ltd.	267,118.02	13,355.90	133,558.99	6,677.95
	Shenzhen Huiyan Expressway Co., Ltd.	258,425.94	12,921.30	258,425.92	12,921.30
	Guangfo Expressway Co., Ltd.	250,900.00	12,545.00	34,450.00	1,722.50
Guangdong South China Logistics Enterprise Company Limited	228,703.70	11,435.19	-	-	
Guangdong Humen Bridge Co., Ltd.	-	-	3,197,414.91	159,870.75	
Others	1,400,020.66	186,016.47	3,484,004.70	1,104,543.18	
Total	<u>23,386,113.70</u>	<u>2,714,634.79</u>	<u>22,107,507.59</u>	<u>4,130,574.15</u>	

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For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

1) Amounts due from related parties (Continued)

Items	Related parties	30 June 2022		31 December 2021	
		Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
Prepayments	Guangdong Union Electronic Services Co., Ltd.	1,503,315.32	-	466,250.77	-
	Guangdong Guangzhu Expressway West Section Co., Ltd.	604,250.86	-	-	-
	Guangdong Provincial Freeway Co., Ltd.	550,514.65	-	23,085.02	-
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	337,809.70	-	22,500.00	-
	Guangdong Guangfozhao Expressway Company Limited	182,557.25	-	-	-
	Shaoguan Libao Technology Company Limited	-	-	1,522,220.00	-
	Guangdong Provincial Highway Construction Co., Ltd.	-	-	908,818.42	-
	Guang-Shen-Zhu Expressway Co., Ltd.	-	-	505,885.87	-
	Others	191,735.06	-	804,119.60	-
	Total	3,370,182.84	-	4,252,879.68	-
Other receivables	Kee Kwan Motor Road Co., Ltd.	4,305,509.62	17,441.48	697,334.21	4,956.47
	Shantou City Automobile Passenger Traffic Center Station Co., Ltd.	3,951,192.07	3,875,834.95	4,159,744.79	4,159,744.79
	Guang-Shen-Zhu Expressway Co., Ltd.	3,384,442.74	-	3,584,000.00	-
	Weisheng Transportation Enterprises Co., Ltd.	3,297,751.16	471,707.03	703,143.66	27,838.50
	Guangdong Provincial Freeway Co., Ltd.	2,224,049.67	51.67	2,352,786.23	6,449.61
	Shantou City Chaonan Yueyun Sky Island Transportation Co., Ltd.	1,754,967.48	1,754,967.48	509.50	250.95
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	1,723,312.11	13,917.50	1,745,507.75	-
	Guangdong Guangzhu Expressway West Section Co., Ltd.	1,688,300.00	-	1,688,300.00	-
	Guangdong South Passenger Network Center Company Limited	1,560,220.00	1,464.65	1,861,068.00	186,106.80
	Guangdong Union Electronic Services Co., Ltd.	1,517,008.90	6,750.14	1,402,288.74	24,771.70
	Guangdong Provincial Highway Construction Co., Ltd.	1,346,856.19	-	1,418,405.01	-
	Guangdong Maozhan Expressway Co., Ltd.	1,000,000.00	-	1,000,000.00	-
	Lufeng Shenzhen Shantou Expressway Service Co., Ltd	1,000,000.00	-	-	-
Guangdong Guangfozhao Expressway Company Limited	900,000.00	-	900,000.00	-	

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For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

1) Amounts due from related parties (Continued)

Items	Related parties	30 June 2022		31 December 2021	
		Amount	Provision for bad and doubtful debts	Amount	Provision for bad and doubtful debts
	Guangdong Yangmao Expressway Co., Ltd.	500,000.00	-	500,000.00	-
	Poly Changda Engineering Co., Ltd.	415,958.10	-	524,190.16	-
	Guangdong Guangle Expressway Co., Ltd.	330,000.00	-	330,000.00	-
	Guangdong Chao-Hui Expressway Company Limited	301,000.00	-	301,000.00	-
	Guangdong Yunmao Expressway Co., Ltd.	300,000.00	-	300,000.00	-
	Others	2,999,101.36	134,021.05	3,641,245.10	215,481.28
	Total	<u>34,499,669.40</u>	<u>6,276,155.95</u>	<u>27,109,523.15</u>	<u>4,625,600.10</u>
Dividends receivable	Southern United Assets and Equity Exchange Co., Ltd.	-	-	25,901,744.08	-
	Shenzhen Yueyun Investment Development Company Limited	-	-	1,000,000.00	-
	Total	<u>-</u>	<u>-</u>	<u>26,901,744.08</u>	<u>-</u>
Other non-current assets	Guangdong Humen Bridge Co., Ltd.	-	-	133,333,333.13	-
	Guangzhou Tianhe Coach Terminal Co., Ltd.	9,600,000.00	-	9,600,000.00	-
	Total	<u>9,600,000.00</u>	<u>-</u>	<u>142,933,333.13</u>	<u>-</u>

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For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

2) Amounts due to related parties

Items	Related parties	30 June 2022	31 December 2021
Accounts payable	Guang-Shen-Zhu Expressway Co., Ltd.	11,333,215.68	9,599,798.85
	Guangdong Zihui Expressway Co., Ltd.	11,250,000.00	8,000,000.00
	Guangdong Huiqing Expressway Company Limited	7,219,281.90	4,783,081.90
	Guangdong Provincial Freeway Co., Ltd.	6,321,253.10	6,060,140.52
	Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	5,520,437.99	5,277,724.62
	Guangdong Yuehuahui Business Management Company Limited	3,720,636.61	2,323,080.89
	Guangdong Chao-Hui Expressway Company Limited	3,615,000.00	2,462,900.00
	Guangdong Maozhan Expressway Co., Ltd.	2,369,228.95	1,127,098.74
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	2,072,478.95	2,204,429.26
	Foshan Guangsan Expressway Co., Ltd.	1,954,155.58	1,810,938.69
	Guangdong Union Electronic Services Co., Ltd.	1,868,339.92	1,340,887.12
	Guangdong Humen Bridge Company Limited	1,154,237.65	3,136,434.94
	Guangfo Expressway Co., Ltd.	1,136,654.33	936,939.88
	Jingzhu Expressway Guangzhu Section Co., Ltd.	794,857.35	2,932,345.98
	Guangdong Jiangzhong Expressway Co., Ltd.	670,616.12	614,950.51
	Guangdong Provincial Highway Construction Co., Ltd.	669,106.74	1,391,433.40
	Shaoguan Libao Technology Company Limited	631,812.24	540,084.41
	Poly Changda Engineering Co., Ltd.	538,277.09	1,054,781.05
	Kee Kwan Motor Road Co., Ltd.	505,661.60	1,011,323.20
	Guangdong Meihe Expressway Co., Ltd.	425,673.83	259,186.50
	Guangdong Kaiyang Expressway Co., Ltd.	396,361.65	99,732.19
	Guangdong Yangmao Expressway Co., Ltd.	352,243.90	212,632.24
	Guangdong Hualu Traffic Technology Co. Ltd.	302,282.00	317,781.85
	Yunfu City Guangyun Expressway Co., Ltd.	301,631.40	179,936.80
	Guangdong Guangzhu Expressway West Section Co., Ltd.	290,000.00	3,613,869.52
	Others	1,466,984.96	5,486,939.82
	Total		<u>66,880,429.54</u>

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For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

2) Amounts due to related parties (Continued)

Items	Related parties	30 June 2022	31 December 2021
Advances from customers	Guangdong Yuehuahui Business Management Company Limited	664,500.00	–
	Guangdong Chao-Hui Expressway Co., Ltd.	177,350.00	465,250.00
	Others	162,047.31	122,865.29
	Total	1,003,897.31	588,115.29
Contract liabilities	Guangdong Provincial Highway Construction Co., Ltd.	2,274,157.01	2,295,731.12
	Guangdong Huiqing Expressway Co., Ltd.	380,173.54	380,173.55
	Guangdong Ninghua Expressway Co., Ltd.	206,362.94	206,362.94
	Others	439,161.28	540,261.32
	Total	3,299,854.77	3,422,528.93
Other payables	Guangdong Province Gongbei Vehicles Transportation	14,542,967.91	10,286,580.11
	Guangdong Lea Top Development Investment Co., Ltd.	2,689,662.20	1,584,743.20
	Hui Ke Tong Technology (Zhuhai) Company Limited	2,362,630.58	18,753.29
	Shaoguan Yuehong Bus Station Company Limited	2,047,799.18	2,016,200.00
	Guangdong Union Electronic Services Co., Ltd.	1,470,987.78	6,052,457.15
	GCGC	984,346.83	2,944,346.83
	Weisheng Transportation Enterprises Co., Ltd.	710,917.15	724,546.64
	Guangzhou Hehe Intelligent Technology Co., Ltd.	558,000.00	–
	Shenzhen Yueyun Investment Development Co., Ltd.	499,098.15	359,840.92
	Shaoguan Libao Technology Co., Ltd.	114,666.62	1,048,309.65
	Kee Kwan Motor Road Co., Ltd.	112,374.74	949,751.33
	Guangdong Lea Top Property Development Co., Ltd.	9,588.20	806,357.20
	Others	1,047,261.66	1,920,985.91
	Total	27,150,301.00	28,712,872.23

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

2) Amounts due to related parties (Continued)

Items	Related parties	30 June 2022	31 December 2021
Other payables	Shaoguan Libao Technology Co., Ltd.	<u>1,931,962.01</u>	<u>817,958.03</u>
– cash pool			
	Total	<u>1,931,962.01</u>	<u>817,958.03</u>
Long-term payables	Xin Yue (Guangzhou) Financial Leasing Co., Ltd.	<u>3,000,000.00</u>	<u>1,950,000.00</u>
	Total	<u>3,000,000.00</u>	<u>1,950,000.00</u>
Lease liabilities	Guangdong Provincial Freeway Co., Ltd.	134,151,705.27	108,418,780.36
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	121,969,746.82	126,284,424.88
	Guangdong Provincial Highway Construction Co., Ltd.	147,469,746.46	150,337,096.80
	Guangdong Guangle Expressway Co., Ltd.	87,922,481.23	93,969,790.07
	Guangdong Chao-Hui Expressway Company Limited	71,921,631.55	70,248,405.73
	Guangdong Ninghua Expressway Co., Ltd.	67,869,508.72	66,356,779.82
	Guangdong Guangzhu Expressway West Section Co., Ltd.	50,410,360.87	59,191,696.33
	Lufeng Shen-Shan Expressway Services Co., Ltd.	46,382,563.17	45,390,843.55
	Guangdong Guangfozhao Expressway Company Limited	39,101,013.57	41,447,917.87
	Guang-Shen-Zhu Expressway Co., Ltd.	38,626,169.95	46,965,257.78
	Guangdong Bo-Da Expressway Company Limited	37,338,830.97	38,383,011.15
	Guangdong Kaiyang Expressway Co., Ltd.	31,438,046.01	30,912,608.60
	Guangdong Dachao Expressway Co., Ltd.	28,785,882.18	28,175,581.80
	Guangdong Meihe Expressway Co., Ltd.	26,170,262.85	28,542,555.11
	Guangdong Provincial Expressway Development Co., Ltd.	24,339,911.82	23,602,140.76
	Guangdong Zhaoyang Expressway Co., Ltd.	21,011,897.83	20,409,208.45
	Guangdong Luoyang Expressway Co., Ltd.	20,638,899.90	20,151,916.90
	Guangdong Yangmao Expressway Co., Ltd.	19,593,576.13	19,060,900.62
	Guangdong Pingxing Expressway Co., Ltd.	19,554,045.83	19,105,189.56
	Guangdong Maozhan Expressway Co., Ltd.	15,667,450.94	41,160,456.59
	Heyuan Helong Expressway Co., Ltd.	10,036,516.87	9,758,247.95

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

2) Amounts due to related parties (Continued)

Items	Related parties	30 June 2022	31 December 2021
	Guangdong Jiangzhong Expressway Co., Ltd.	8,601,784.81	10,758,797.44
	Guangdong Taishan Coastal Expressway Co., Ltd.	8,123,504.08	2,496,047.16
	Zhaoqing Yuezhaoh Highway Co., Ltd.	8,097,945.13	7,872,191.25
	Guangdong Shanfen Expressway Co., Ltd.	7,821,650.62	7,666,133.54
	Guangdong Meiping Expressway Co., Ltd.	6,466,943.71	6,316,650.53
	Yunfu City Guangyun Expressway Co., Ltd.	4,454,721.28	5,577,792.30
	Guangdong Lea Top Development Investment Co., Ltd.	3,318,290.99	6,633,514.84
	Guangdong Jingzhu Expressway Guangzhu North Section Co., Ltd.	2,842,307.01	2,767,212.65
	Jingzhu Expressway Guangzhu Section Co., Ltd.	1,628,775.01	2,042,505.24
	Total	1,111,756,171.58	1,140,003,655.63
Non-current liabilities due within one year	Guangdong Provincial Freeway Co., Ltd.	14,501,292.50	13,627,195.33
	Guangdong Province Road & Bridge Construction Development Co., Ltd.	8,748,136.84	8,530,575.18
	Guang-Shen-Zhu Expressway Co., Ltd.	8,471,274.45	8,039,944.30
	Guangdong Lea Top Development Investment Co., Ltd.	6,413,408.01	6,196,368.32
	Guangdong Kai Yang Expressway Co., Ltd.	6,093,157.10	6,008,558.17
	Lufeng Shen-Shan Expressway Service Co., Ltd.	5,510,402.60	5,385,196.78
	Guangdong Guangzhu Expressway West Section Co., Ltd.	4,988,329.96	6,505,620.51
	Guangdong Provincial Highway Construction Co., Ltd.	5,860,081.49	5,714,531.90
	Guangdong Guangle Expressway Co., Ltd.	3,158,215.66	3,058,064.06
	Guangdong Chao-Hui Expressway Co., Ltd.	2,792,637.47	2,723,075.75
	Guangdong Shanfen Expressway Co., Ltd.	2,295,600.37	2,240,703.15
	Guangdong Ninghua Expressway Co., Ltd.	2,201,100.87	2,151,088.07
	Guangdong Yang-Mao Expressway Co., Ltd.	2,197,867.32	2,132,609.47
	Guangdong Jiangzhong Expressway Co., Ltd.	1,905,579.89	1,860,009.66
	Guangdong Meihe Expressway Co., Ltd.	1,885,330.14	1,829,504.21

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VIII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

2) Amounts due to related parties (Continued)

Items	Related parties	30 June 2022	31 December 2021
	Guangdong Maozhan Expressway Co., Ltd.	1,804,683.22	2,643,212.43
	Guangdong Bo-Da Expressway Co., Ltd.	1,529,003.83	1,486,002.83
	Guangdong Guangfozhao Expressway Co., Ltd.	1,339,741.18	1,307,702.47
	Guangdong Taishan Coastal Expressway Co., Ltd.	1,152,248.63	340,471.66
	Yunfu City Guangyun Expressway Co., Ltd.	987,963.51	964,337.25
	Guangdong Zhaoyang Expressway Co., Ltd.	870,408.25	843,994.75
	Guangdong Provincial Expressway Development Co., Ltd.	794,195.65	766,102.53
	Heyuan He-Long Expressway Co., Ltd.	765,995.83	743,252.31
	Guangdong Luoyang Expressway Co., Ltd.	716,132.32	699,006.66
	Guangdong Da-Chao Expressway Co., Ltd.	695,120.39	679,326.05
	Zhaoqing Yuezhao Highway Co., Ltd.	672,522.94	653,696.48
	Guangdong Pingxing Expressway Co., Ltd.	669,920.66	653,900.11
	Guangdong Humen Bridge Company Limited	517,346.58	510,374.77
	Others	1,002,258.42	3,837,427.49
	Total	<u>90,539,956.08</u>	<u>92,131,852.65</u>

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

IX. COMMITMENTS AND CONTINGENCIES

1. Capital commitments

Items	30 June 2022	31 December 2021
Commitment for acquisition and construction of long-term assets that have been entered into contracts but have not been recognised in the financial statements	14,504,941.21	40,810,027.05
Total	14,504,941.21	40,810,027.05

2. Contingency

1) Contingency existing at the balance sheet date

At the balance sheet date, the Group has no significant contingencies that need to be disclosed.

X. SUBSEQUENT EVENTS

On 10 August 2022, the Company and Guangdong Leatop Development Investment Co., Ltd. ("Guangdong Leatop") entered into an equity transfer agreement in relation to the equity transfer of 100% equity interest in Guangdong Province Transportation Engineering Company Limited ("Transportation Engineering"), a wholly-owned subsidiary of the Company, pursuant to which the Company has conditionally agreed to sell, and Guangdong Leatop has conditionally agreed to acquire, 100% equity interest in Transportation Engineering, at a total consideration of RMB216,637,157.08. An extraordinary general meeting will be convened by the Company to consider and, if thought fit, approve, among other things, the equity transfer agreement and the Equity Transfer contemplated thereunder. Details of the terms and conditions are set out in at the announcement issued by the Company on 10 August 2022. Up to the date of approval of the interim financial statements by the board of directors, the equity transfer has not yet completed.

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XI. OTHER SIGNIFICANT MATTERS

1. Correction of prior years' accounting errors

During the reporting period, there was no correction of prior years' accounting errors.

2. Segment information

1) Determination basis and accounting policies of reportable segments

Based on the Group's internal organisation structure, management requirements and internal reporting system, the operations of the Group were classified into three segments, including expressway service zones operation, road passenger transportation and auxiliary 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) Segment reporting

For the six months ended 30 June 2022

Items	Expressway service zones operation	Road passenger transportation and auxiliary	Other business	Inter-segment eliminations	Total
Operating income	1,886,784,447.70	969,034,790.17	64,262,145.63	(5,019,662.06)	2,915,061,721.44
Including: Operating income from external customers	1,886,616,666.87	967,839,185.71	60,605,868.86	-	2,915,061,721.44
Inter-segment operating income	167,780.83	1,195,604.46	3,656,276.77	(5,019,662.06)	-
Operating costs	1,680,633,032.24	1,058,660,776.35	24,850,767.57	(601,111.15)	2,763,543,465.01
Operating profit	94,698,608.09	(184,447,651.68)	6,481,485.70	(940,471.61)	(84,208,029.50)

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Segment information (Continued)

2) Segment reporting (Continued)

For the six months ended 30 June 2021

Items	Expressway service zones operation	Road passenger transportation and auxiliary	Other business	Inter-segment eliminations	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: Operating income from external customers	1,820,236,543.94	1,184,235,969.78	87,994,088.65	–	3,092,466,602.37
Inter-segment operating 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
Operating profit	186,374,683.26	(259,642,910.05)	4,405,512.80	(898,744.89)	(69,761,458.88)

As at 30 June 2022

Items	Expressway service zones operation	Road passenger transportation and auxiliary	Other business	Inter-segment eliminations	Total
Segment assets	4,048,349,051.87	5,661,691,364.06	2,978,700,604.04	(2,445,274,793.17)	10,243,466,226.80
Segment liabilities	3,165,004,479.17	3,750,865,071.70	1,377,838,587.27	(700,362,813.77)	7,593,345,324.37

As at 31 December 2021

Items	Expressway service zones operation	Road passenger transportation and auxiliary	Other business	Inter-segment eliminations	Total
Segment assets	3,857,110,203.81	6,065,882,840.94	3,066,429,612.04	(2,445,789,893.84)	10,543,632,762.95
Segment liabilities	3,053,338,924.27	3,993,568,871.43	1,467,925,322.12	(713,909,852.68)	7,800,923,265.14

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

XII. NOTES TO THE KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

1) Disclosure of accounts receivable by aging:

Aging	30 June 2022	31 December 2021
Within 3 months (inclusive)	17,556,933.30	45,774,947.67
Over 3 months but within 6 months (inclusive)	–	6,632,146.43
Over 6 months but within 1 year (inclusive)	8,824,319.32	4,225,877.47
Over 1 year but within 2 years (inclusive)	26,737,717.94	35,895,437.55
Over 2 years but within 3 years (inclusive)	672,310.67	672,310.67
Over 3 years	24,651,187.71	24,651,187.72
Sub-total	78,442,468.94	117,851,907.51
Less: Provision for bad and doubtful debts	25,572,616.73	27,445,589.45
Total	52,869,852.21	90,406,318.06

Note: The aging is counted starting from the date when accounts receivable are recognized.

2) Disclosure of accounts receivable by provision methods for bad debts

Items	30 June 2022				Book value	31 December 2021				
	Amount		Provision for bad and doubtful debts			Amount		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Provision for bad debts is made on an individual basis	18,465,300.94	23.54	18,465,300.94	100.00	–	18,465,300.94	15.67	18,465,300.94	100.00	–
Provision for bad debts is made on a collective basis	59,977,168.00	76.46	7,107,315.79	11.85	52,869,852.21	99,386,606.57	84.33	8,980,288.51	9.04	90,406,318.06
Including:										
Aging portfolio	58,506,087.12	74.58	7,107,315.79	12.15	51,398,771.33	97,915,525.69	83.08	8,980,288.51	9.17	88,935,237.18
Portfolio of the Group's scope of consolidation	1,471,080.88	1.88	–	–	1,471,080.88	1,471,080.88	1.25	–	–	1,471,080.88
Total	78,442,468.94	100.00	25,572,616.73		52,869,852.21	117,851,907.51	100.00	27,445,589.45		90,406,318.06

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

XII. NOTES TO THE KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

2) Disclosure of accounts receivable by provision methods for bad debts (Continued)

Provision for bad debts is made on an individual basis:

Items	30 June 2022			
	Amount	Provision for bad and doubtful debts	Provision ratio (%)	Reasons for accruing
Shenzhen Hongbao Trading Co., Ltd.	14,264,922.29	14,264,922.29	100.00	Not expected to be recovered
Zuhai Yuxinyuan Trade Development Co., Ltd.	1,285,603.65	1,285,603.65	100.00	Not expected to be recovered
Guangzhou Junfa Trading Co., Ltd.	<u>2,914,775.00</u>	<u>2,914,775.00</u>	100.00	Not expected to be recovered
Total	<u>18,465,300.94</u>	<u>18,465,300.94</u>		

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

XII. NOTES TO THE KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

2) Disclosure of accounts receivable by provision methods for bad debts (Continued)

Provision for bad debts is made on a collective basis:

Items	30 June 2022		Provision ratio (%)
	Amount	Provision for bad and doubtful debts	
Aging portfolio			
Road transportation and other service			
Within 1 year (inclusive)	14,015,015.36	700,750.77	5.00
Over 1 year but within 2 years (inclusive)	33,972.63	11,890.42	35.00
Over 2 years but within 3 years (inclusive)	498,630.12	249,315.06	50.00
Over 3 years	894,332.09	894,332.09	100.00
Sub-total	15,441,950.20	1,856,288.34	
Constructions material supply			
Within 1 year (inclusive)	12,366,237.26	618,311.86	5.00
Over 1 year but within 2 years (inclusive)	26,703,745.31	2,670,374.53	10.00
Over 2 years but within 3 years (inclusive)	173,680.55	52,104.17	30.00
Over 3 years	3,820,473.80	1,910,236.89	50.00
Sub-total	43,064,136.92	5,251,027.45	
Portfolio of the Group's scope of consolidation	1,471,080.88	—	—
Total	59,977,168.00	7,107,315.79	

Notes to the Interim Financial Statements

For the six months ended 30 June 2022

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

XII. NOTES TO THE KEY ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

3) Bad debt provision accrued, reversed or recovered during the period

Category	31 December 2021	Changes during the period		30 June 2022
		Charge into income statement	Disposal/ Written-off	
Provision for bad debts is made on an individual basis	18,465,300.94	–	–	18,465,300.94
Provision for bad debts is made on a collective basis	8,980,288.51	(1,872,972.72)	–	7,107,315.79
Total	27,445,589.45	(1,872,972.72)	–	25,572,616.73

2. Investment income

Items	Amount for the period	Amount for the previous period
Income from long-term equity investments under cost method	3,134,729.35	31,041,143.88
Income from long-term equity investments under equity method	8,542,548.42	9,781,170.40
Total	11,677,277.77	40,822,314.28