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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)

ANNOUNCEMENT OF 2021 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	For the six months ended		
	30 June 2021	30 June 2020	Change
	RMB'000	RMB'000	%
	(unaudited)	(unaudited)	
Revenue	3,092,467	2,601,847	19%
Net (loss)	(123,988)	(182,471)	N/A
Net (loss) attributable to shareholders of the Company	(60,764)	(111,440)	N/A
Basic (loss) per share	RMB(0.08)	RMB(0.14)	N/A
Diluted (loss) per share	RMB(0.08)	RMB(0.14)	N/A

- The revenue of the Group for the six months ended 30 June 2021 was approximately RMB3,092.467 million, representing an increase of approximately RMB490.620 million or 19% as compared to the corresponding period in 2020.
- The net loss for the six months ended 30 June 2021 was approximately RMB123.988 million, representing a decrease in loss of approximately RMB58.483 million as compared to the corresponding period in 2020.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2021 was approximately RMB60.764 million, representing a decrease in loss of approximately RMB50.676 million as compared to the corresponding period in 2020.
- For the six months ended 30 June 2021, both basic loss per share and diluted loss per share were RMB0.08.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

The board of directors (the “**Board**”) of Guangdong Yueyun Transportation Company Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021. The unaudited consolidated interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit & Corporate Governance Committee of the Company (the “**Audit & Corporate Governance Committee**”). The auditor of the Company, BDO China SHU LUN PAN Certified Public Accountants LLP, has also reviewed the unaudited consolidated interim results for the six months ended 30 June 2021 in accordance with Chinese Standards on Review No. 2101-Engagements to Review Financial Statements issued by the Chinese Institute of Certified Public Accountants. The majority of the members of the Audit & Corporate Governance Committee are independent non-executive directors of the Company.

CONSOLIDATED BALANCE SHEET (UNAUDITED)**As at 30 June 2021***(Unless otherwise stated, all amounts are denominated in Renminbi)*

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

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)**As at 30 June 2021***(Unless otherwise stated, all amounts are denominated in Renminbi)*

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

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)**As at 30 June 2021***(Unless otherwise stated, all amounts are denominated in Renminbi)*

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

CONSOLIDATED INCOME STATEMENT (UNAUDITED)**For the six months ended 30 June 2021***(Unless otherwise stated, all amounts are denominated in Renminbi)*

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

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)**For the six months ended 30 June 2021***(Unless otherwise stated, all amounts are denominated in Renminbi)*

	<i>Note</i>	Amount for the period	Amount for the previous period
V. Net loss for the period		<u>(123,988,627.62)</u>	<u>(182,471,269.61)</u>
(1) Net loss classified by continuity of operations			
1. Net loss from continuing operations		(123,988,627.62)	(182,471,269.61)
2. Net loss from discontinued operations		<u>-</u>	<u>-</u>
(2) Net loss classified by ownership			
1. Shareholders of the Company		(60,764,972.12)	(111,440,445.24)
2. Non-controlling interests		<u>(63,223,655.50)</u>	<u>(71,030,824.37)</u>
VI. Other comprehensive income, net of tax		(1,798,751.71)	6,281,309.50
Other comprehensive income (net of tax) attributable to shareholders of the Company		(1,161,857.37)	3,948,822.18
(1) Item that will not be reclassified to profit or loss		624,460.20	(292,556.24)
1. Remeasurement of defined benefit plan		624,460.20	(292,556.24)
(2) Item that may be reclassified to profit or loss		(1,786,317.57)	4,241,378.42
1. Translation differences arising from translation of foreign currency financial statements		(1,786,317.57)	4,241,378.42
Other comprehensive income (net of tax) attributable to non-controlling interests		<u>(636,894.34)</u>	<u>2,332,487.32</u>
VII. Total comprehensive income for the period		<u>(125,787,379.33)</u>	<u>(176,189,960.11)</u>
Attributable to:			
Shareholder of the Company		(61,926,829.49)	(107,491,623.06)
Non-controlling interests		<u>(63,860,549.84)</u>	<u>(68,698,337.05)</u>
VIII. Loss per share			
(i) Basic loss per share	21	(0.08)	(0.14)
(ii) Diluted loss per share	21	<u>(0.08)</u>	<u>(0.14)</u>

1. BASIS OF PREPARATION OF INTERIM FINANCIAL REPORT

(1) Basis of preparation

The interim financial report of the Group has been prepared in accordance with the requirements of Accounting Standard for Business Enterprises – Basic Standards and its relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements. The interim financial report also complies with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance. In accordance with the requirements of “Accounting Standard for Business Enterprises No.32 – Interim Financial Reporting”, the explanatory notes to the interim financial report have been simplified as appropriate compared with the notes to the annual financial statements.

(2) Going concern

The financial statements are prepared on the basis of going concern.

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

2. CHANGE IN SCOPE OF CONSOLIDATION

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

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

3. ACCOUNTS RECEIVABLE

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

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

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

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

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

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

Provision for bad debts made on individual basis:

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

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

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

4. FIXED ASSETS

(1) Fixed assets and disposal of fixed assets

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

(2) Details of fixed assets

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

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

5. RIGHT-OF-USE ASSETS

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

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

6. INTANGIBLE ASSETS

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

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

7. SHORT-TERM LOANS

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

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

8. ACCOUNTS PAYABLE

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

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

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

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

Note: The aging is calculated from the date of the original transaction.

9. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

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

10. LONG-TERM LOANS

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

- (1) For the details of assets pledged for secured loans as at 30 June 2021, please refer to Note 4 (fixed assets), 5 (right-of-use assets) and 6 (intangible assets).
- (2) As at 30 June 2021, the Group's long-term loans were borrowings from banks and GCG Finance with interest rates ranging from 3.16% to 4.85% per annum (31 December 2020: 3.16% to 4.90% per annum).
- (3) As at 30 June 2021 and 31 December 2020, the Group's mortgaged and guaranteed loans include the loans borrowed by the subsidiaries: Heyuan Yueyun Motor Transportation Co., Ltd. with land as collateral, and joint liability guarantee provided by shareholders for the remaining exposures in proportion to their shareholdings; and the loans borrowed by Guangdong Yueyun Langri Co., Ltd, Heyuan Yueyun Motor Transportation Co., Ltd., Qingyuan City Yueyun Public Transportation Co., Ltd., Shaoguan Yueyun Vehicles Transportation Co., Ltd., Meizhou Yueyun Motor Transportation Co., Ltd., Maoming city Dianbai District Yueyun Transportation Co., Ltd., with vehicles as collateral and Zhengzhou Anchi Bonding Co., Ltd. (a third party company) providing joint liability guarantee.

- (4) As at 30 June 2021, the Group's loans secured by pledges are constituted by: i) borrowing of Foshan Yueyun Public Transportation Co., Ltd. which is secured by guarantee deposit of RMB1,700,000.00; ii) borrowing of Qingyuan Yueyun Automobile Transportation Co., Ltd which is secured by a guarantee deposit of RMB200,000.00; and iii) borrowing of Shanwei City Yueyun Public Transportation Co., Ltd. which is secured by 2019 Central financial energy saving and new energy buses operation government subsidies as pledge.
- (5) As at 30 June 2021, the Group's loans secured by pledges, mortgages and guarantees include borrowing of Shanwei Yueyun Automobile Transportation Co., Ltd. which is secured by 2019 Central financial energy saving and new energy buses operation government subsidies, land as collateral and 51% joint liability guarantee provided by the Company.
- (6) As at 30 June 2021, the Group did not have any expired but overdue long-term loan (31 December 2020: Nil).

11. BONDS PAYABLE

- (1) Details of bonds payable are as follows:

	Closing balance	Balance at the end of previous year
Corporate bonds	390,592,096.08	392,533,626.17

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

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

- i) On 28 September 2015, the Company entrusted Morgan Stanley Huaxin Securities Company Limited as the lead underwriter and issued the 2014 corporate bonds (first phase) to the public in an aggregate nominal amount of RMB400.00 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. The Company will be entitled at its option to adjust its bond rate and the investors will be entitled to request the Company to redeem the bonds after five years of the issue date. On 28 September 2020, The Company has redeemed the 2014 corporate bonds with principal amount of RMB8,694,000.00. There was no adjustment on the coupon rate.
- ii) In connection with the issuance of these bonds, GCG Finance 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 GCG Finance with a pledge of the Guang-Shen-Zhu Expressway Taiping Interchange franchise operating right. Please refer to Note 6 (intangible assets).

12. LEASE LIABILITIES

	Closing balance	Balance at the end of previous year
Long-term lease liabilities	2,320,329,009.76	2,409,195,310.62
Less: Lease liabilities due within one year	(222,010,071.61)	(267,809,024.38)
Total	<u>2,098,319,028.15</u>	<u>2,141,386,286.24</u>

13. RETAINED EARNINGS

	Amount for the period	Amount for the previous period
Retained earnings at the beginning of the period	1,052,303,964.69	1,291,081,241.71
Add: Net loss attributable to the shareholders of the Company for the period	(60,764,972.12)	(111,440,445.24)
Retained earnings at the end of the period	<u>991,538,992.57</u>	<u>1,179,640,796.47</u>

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

14. FINANCIAL EXPENSES

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

15. OTHER INCOME

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

16. INVESTMENT INCOME

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

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

17. PROVISION OF CREDIT LOSSES

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

18. GAINS ON DISPOSALS OF ASSETS

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

19. NON-OPERATING INCOME

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

20. INCOME TAX EXPENSES

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

21. LOSS PER SHARE

(1) Basic loss per share

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

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

(2) Diluted loss per share

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

22. GOVERNMENT GRANTS

(1) Government grants

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

(2) Government grants related to assets

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

(3) Government grants related to income

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

23. NET CURRENT LIABILITIES

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

24. TOTAL ASSETS LESS CURRENT LIABILITIES

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

25. LEASES

(1) As a Lessee

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

(2) As a Lessor

(1) Operating lease

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

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

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

(2) Hire purchase

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

The Group's lease payment receivable after the balance sheet date are as follows:

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

26. SEGMENT REPORTING

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

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

(2) Financial information of reportable segments

For the six months ended 30 June 2021

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

For the six months ended 30 June 2020

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

As at 30 June 2021

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

As at 31 December 2020

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

(3) Geographic information

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

(4) Major customers

No operating income from one single customer of the Group was above 10% of the Group's total operating income for the current period and the corresponding period of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

TRAVEL SERVICE SEGMENT

1. *Expressway Service Zones Operation*

(1) Energy Business

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

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

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

(2) Retail Business

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

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

(3) Merchant Solicitation Business

The Group gave full play to the resource advantages of GCGC to further expand its service zone network and promote the development and upgrade of its service zone and achieve upgrade of commercial values. As of the end of June 2021, the Group has 358 service zones (including parking areas) with operating rights (including 103 service zones of Guangdong Nanyue Transportation Investment and Construction Company Limited), representing an increase of 24 when compared to the same period last year, and there are 352 service zones (including parking areas) in operation (including 2 service zones of joint ventures). The revenue from merchant solicitation business amounted to RMB162 million. Specific measures are as follows:

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

(4) Advertising Business

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

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

2. Road Passenger Transportation and Auxiliary

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

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

3. *Operation of Taiping Interchange*

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

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

FINANCIAL REVIEW

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

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

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

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

Operating income

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

Operating income by business segments:

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

1. Expressway Service Zones Operation

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

- (1) For energy business, the operating income amounted to RMB1,382.083 million for the first half of 2021 (In the corresponding period in 2020: RMB983.959 million), representing a year-on-year increase of RMB398.124 million or approximately 40%, which was mainly due to the recovery of passenger volume after the pandemic and the year-on-year increase in scale of self-operated oil stations.
- (2) For retail business, the operating income amounted to RMB226.014 million for the first half of 2021 (In the corresponding period in 2020: RMB218.752 million) representing a year-on-year increase of RMB7.262 million or approximately 3%.
- (3) For merchant solicitation business, the operating income amounted to RMB162.336 million for the first half of 2021 (In the corresponding period in 2020: RMB153.746 million), representing a year-on-year increase of RMB8.59 million or approximately 6%.
- (4) For advertising business, the operating income amounted to RMB49.803 million for the first half of 2021 (In the corresponding period in 2020: RMB53.718 million), representing a year-on-year decrease of RMB3.915 million or approximately 7%, which was mainly due to the year-on-year decrease in income derived from advertising planning business.

2. Road passenger transportation and auxiliary business

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

3. Operation of Taiping Interchange

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

4. Other business

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

Gross profit

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

Gross profit by business segments:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	RMB'000	Percentage	RMB'000	Percentage
Expressway Service Zones Operation	296,832	140%	282,401	1314%
Road passenger transportation and auxiliary business	(134,855)	(64%)	(266,298)	(1239%)
Taiping Interchange operation	48,437	23%	4,074	19%
Other business	1,954	1%	1,312	6%
Total	<u>212,368</u>	<u>100%</u>	<u>21,489</u>	<u>100%</u>

1. Expressway service zones operation

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

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

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

2. *Road passenger transportation and auxiliary business*

Road passenger transportation and auxiliary business generated a gross loss of RMB134.855 million (In the corresponding period in 2020: gross loss of RMB266.298 million) and the gross loss margin was 11% (In the corresponding period in 2020: gross loss margin of 26%) in the first half of 2021, which was mainly attributable to (1) the impact on the passenger traffic volume and actual load rate of the road passenger transportation and auxiliary business as a result of the “Enjoying Lunar New Year Holiday Locally” initiative implemented during the Lunar New Year holiday and the epidemic prevention and control requirements in Guangdong in May and June in response to the continued impact of the COVID-19 epidemic; and (2) the government grant obtained by the Company for the promotion and application of new energy vehicles having been reflected in the “other income”, and a year-on-year decrease in the government grant for the operation of new energy vehicle as a result of unclear new grant standards.

3. *Taiping Interchange operation*

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

4. *Other business*

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

Taxes and surcharges

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

Selling and distribution expenses

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

General and administrative expenses, and research and development expenses

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

Finance expenses

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

Other income

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

Investment income

The Group's investment gain derived in the first half of 2021 amounted to RMB6.522 million (In the corresponding period in 2020: investment income of RMB0.004 million), representing a year-on-year increase of RMB6.518 million or approximately 162,950%, which was mainly due to the impact of a year-on-year increase in the net profit for the period from the associates and joint ventures of the Group.

Loss of credit impairment

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

Impairment losses

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

Gains from Asset Disposals

Gains from asset disposals of the Group in the first half of 2021 amounted to RMB4.538 million (In the corresponding period in 2020: RMB0.621 million), representing a year-on-year increase of RMB3.917 million or 631%, which was mainly due to a year-on-year increase in disposal of assets for the period.

Non-Operating Income and Expenses

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

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group proactively optimized financial structure and 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 2021, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB4,187.869 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

Items	30 June 2021 RMB'000	31 December 2020 RMB'000
Borrowings (from banks and other financial institutions)	2,956,743	3,046,191
Less: Cash and cash equivalents	1,263,975	1,241,551
Net liabilities	1,692,768	1,804,640
Total liabilities	7,669,641	7,902,617
Total shareholder's equity	2,989,205	3,150,113
Total equity	4,681,973	4,954,753
Total assets	10,658,846	11,052,730
Gearing ratio	36.16%	36.42%
Asset to liability ratio	71.96%	71.50%

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total Shareholder's equity

Asset to liability ratio = Total liabilities/Total assets

Cash flows

In the first half of 2021, the Group satisfied its requirement for payment of its obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term liabilities with low interest rates. Cash and cash equivalents of the Group were mainly denominated in RMB. Cash and cash equivalents (after excluding the effect of exchange rate movement) were as follows:

	For the six months ended June 30		
	2021	2020	Change
	RMB'000	RMB'000	RMB'000
Cash generated from/(used in)			
Operating activities	510,097	352,216	157,881
Investing activities	(212,576)	(413,786)	201,210
Financing activities	(272,169)	59,368	(331,537)

Operating activities

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

Investing activities

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

Financing activities

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

Borrowings

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

Material subsequent events

Nil.

Major acquisitions and establishment of new companies

Nil.

Major properties held for investment

Name of property	Address	Usage	Types of lease
Hong Kong Plaza	Unit 13-14, 24/F and Unit 8-12, 31/F, Hong Kong Plaza, 188 Connaught Road West, Sai Wan, Hong Kong	Operating lease	Short-term (within 10 years)
No. 1-2 office, 1/F, King's Court, Wai Ching Street, Jordan Road, Kowloon	No. 1-2 office, 1/F, King's Court, No. 65, 67, 69, 71, 73, 75, Wai Ching Street, Jordan Road, Kowloon, Hong Kong	Operating lease	Short-term (within 10 years)
Underground Shop, Hang On Building, 159A Sai Yeung Choi Street North, Mongkok, Kowloon	Underground Shop, Hang On Building, 159A Sai Yeung Choi Street North, Mongkok, Kowloon	Operating lease	Short-term (within 10 years)
Apartment for Drivers	Interchange between Fuqianxi Road and Huancheng Road, Qujiang District, Shaoguan City	Operating lease	Short-term (within 10 years)
Passenger Traffic Center Building in Lianzhou	No. 136, Beihu Road, Lianzhou City	Operating lease	Short-term (within 10 years)
Complex Building of Vehicle Passenger Terminal in Danxia Mountain	Complex Building of Vehicle Passenger Terminal in Danxia Mountain	Operating lease	Long-term (over 10 years)

Pledge of assets

As at 30 June 2021, fixed assets at the net value of approximately RMB351.410 million (31 December 2020: RMB385.515 million) and land use rights at the net value of RMB131.356 million (31 December 2020: RMB193.107 million) of the Group were pledged as security for borrowings. As at 30 June 2021, transportation vehicles at net value of approximately RMB280.563 million (31 December 2020: RMB442.464 million) of the Group were pledged as security for lease.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2021, the working capital and liquidity of the Group were slightly affected by the fluctuations in foreign exchange rate. The directors of the Company (the “**Directors**”) believe that the Group will have sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

As of 30 June 2021, the Group had no material contingent liabilities.

Key business developments of the Group in the second half of 2021 are as follows:

I. Expressway Service Zones Operation

1. Energy Business

- (1) We are determined to establish our self-developed and self-operated oil stations and strived to complete the construction of 10 oil stations to achieve 60 self-develop and self-operated oil stations under operation. We are endeavoured to integrate our internal and external resources of the Group to expedite the expansion and strengthen the business rapidly. We strive to build up our terminal sales network by high-speed encrypted oil stations and downstream oil station projects.
- (2) We will deepen our precise management, enhance our intelligent service level. Integrated with the timing of significant holidays, we launch interactive marketing activities for oil and non-oil products in terms of seasonality and subjectivity, attract customers and enhance our brand awareness; strengthen the synergic cooperation with ETC and improve our membership system. We increase the activation rate of membership customers and optimize our structure between oil stations and customers by point redemption, development of large customers and bulk purchase.
- (3) We will strive to expand our upstream and downstream industry chains, and enhance our corporate competitiveness and risk prevention by leveraging favourable state-owned advantages, focusing on the potential expansion of industry chain in middle-and-small sized oil tanks layout for promoting the development of energy business segment.
- (4) Under the objective of “Emission Peak and Carbon Neutrality” (碳中和、碳达峰) and to cope with the changing trend of energy structure, we will strive to upgrade the oil stations in expressways to hybrid stations with oil, gas, electricity and photovoltaic power. We search out the external charging potential of existing self-developed charging stations, explore and early set up the charging market in public utility sector in a timely manner.
- (5) We will strengthen the “Five-unification (五統一)” fuel procurement. We continue to widen the procurement channel, strengthen the procurement cost control, integrate with the energy supply service nature of service zones, consistently build up and optimize our own sales and service system and facilitate the maximization of corporate operating synergy.
- (6) We will further increase the depth and width of cooperation with large scale energy corporates, such as CNPC and Sinopec. We will carry out in-depth investment analysis in various operating models of energy business and conduct scientific reference for decision-making and continuously enhance our long-term rewards from operating rights.

2. *Retail Business*

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

3. *Merchant Solicitation Business*

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

4. Advertising Business

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

II. Road Passenger Transportation and Auxiliary

1. We will adapt to the industry development trend, proactively speed up the adjustment of business structure and increase our service standard. We will speed up the adjustment of traditional shuttle-line passenger transportation and develop public transport and rural passenger transportation operations to acquire stable income from government grant to hedge the risks in the industry. We will develop customized routes, online vehicle booking business to cope with the demands for convenient and comfortable travel. We will develop chartered products, such as commuters and shuttle buses, to realize our advantage of corporate safety management. We will develop passenger business along with tourism and share the bonus from tourism industry.
2. We will provide information supports for the transformation of passenger business with platform operation as the starting point. We will continue to implement the passenger business with “digitalized transformation and platform operation” and “one ticket, one network, one center, one platform” system to further expand the platform function of “Yuexing (悦行)”, accelerate the platform generation upgrade while enhancing the upgrade in terms of product, service and operation. By the Internet operation of “Yuexing (悦行)” platform, together with the offline operation support and management upgrade and leveraging the vehicle resources, we will facilitate the increase in revenue from passenger business. We will increase the intelligence level of service in passenger business and promote the business development of customized passenger and online vehicle booking. By developing intermodal transportation between regions, designated repair points by insurers, establishment of uniform membership system, we will facilitate the intermodal development amongst businesses.

3. We will treat the ability of safety production and risk prevention as our core competitiveness and life line of the passenger segment, combine with the development approach of “exploring the downstream market”, enhance rural passenger and safety management of urban and rural public transportation, enhance the implementation of defensive driving, especially the integration of rural counties and urban cities in “four slow-driving routes” with major protection for motorbikes, motorcycles and bicycles. We will strengthen the utilization and promotion of “four-in-one” intelligent supervision system, provide all-process management for driving safety while accelerating the optimization of supervision teams.
4. We will strengthen the comprehensive development of passenger transportation terminal, focus on promoting the improvement of passenger transportation terminal and speed up the property rental of passenger transportation terminal to increase rental revenue. For business volume and geographical locations of different terminals, under the background of ensuring normal operation of the terminal, various businesses, such as shopping malls, tourism distribution centers, hotels and catering will be transformed according to local conditions to revitalize resources of idle terminal.
5. We will promote logistics development to make its breakthrough. We will more proactively explore the logistics sub-market, promote the implementation of various logistics projects, including front logistics warehouses in terminals, retail delivery for convenience stores, point-to-point logistics in service zones, diversion stations in entrances and exits of expressways, agricultural products trading logistics and cold chain logistics business. We will strive to transform the passenger transportation terminals of rural passenger and county passenger into commercial service spots for retail while promoting cooperation with large scale logistics corporates and online shopping platform to enhance resource values.
6. We will continue to develop cross-border transportation business. GD-HK Company of the Group will continue to place a close concern on the pandemic trend and the cross-border policy, coordinate well on the prevention and control of the pandemic and business operation, optimize the organizational structure and manpower resources, constantly promote the work of cost control, better manage the preparation of resumption of work and production. The Company will do a good job on the development of Liantang Port market at the same time, while deeply promoting the cross-border resource integration, continuously optimizing the deployment and leveraging the utilization efficiency of resources. We will continue to strengthen our business cooperation network and collaborate with Yueyun Development to strive for the development and construction of ticketing system as soon as practicable.

Key business developments and financing arrangements for the second half of 2021

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

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

For the six months ended 30 June 2021, the Company had complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the supervisors of the Company (“**Supervisors**”). Having made specific enquiry with all the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she had complied with the requirements set out in the Model Code for the six months ended 30 June 2021.

BOARD

As at 30 June 2021 and up to the date of this report, the Board consisted of 10 members, including four executive Directors, namely Mr. Tang Yinghai, Mr. Yao Hanxiong, Mr. Zhang Xian and Mr. Huang Wenban; two non-executive Directors, namely Mr. Chen Min and Mr. Chen Chuxuan; and four independent non-executive Directors, namely Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong.

REVIEW BY AUDIT & CORPORATE GOVERNANCE COMMITTEES

The Company has established the Audit & Corporate Governance Committee in compliance with the Listing Rules. The primary duties of the Audit & Corporate Governance Committee are, among other things, to appoint external auditors, review and supervise the financial reporting process, review interim and annual results, review and supervise the internal control system and risk management of the Group, and provide advice and comments to the Board and monitor the corporate governance of the Company. As at 30 June 2021, the Audit & Corporate Governance Committee comprised three members, namely Ms. Lu Zhenghua (Chairman) and Mr. Jin Wenzhou, two independent non-executive Directors, and Mr. Chen Chuxuan, a non-executive Director. The Audit & Corporate Governance Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2021 and recommended its adoption by the Board. The independent auditor of the Company, BDO China SHU LUN PAN Certified Public Accountants LLP, has also reviewed the unaudited interim financial report for the six months ended 30 June 2021 in accordance with Chinese Standards on Review No. 2101-Engagements to Review Financial Statements issued by the Chinese Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

As at 30 June 2021 and up to the date of this report, the Supervisory Committee comprised 7 members, including two independent Supervisors, namely Mr. Dong Yihua and Mr. Lin Hai, two Shareholder Supervisors, namely Mr. Hu Xianhua and Mr. Wang Qingwei, and three Employee Representative Supervisors, namely Mr. Zhen Jianhui, Ms. Li Xiangrong and Ms. Lian Yuebin.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 22,014 employees as at 30 June 2021 (31 December 2020: 23,391). Total staff costs for the six months ended 30 June 2021, including the Directors' remuneration, amounted to approximately RMB941 million (In the corresponding period in 2020: approximately RMB874 million).

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

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

TRAINING OF EMPLOYEES

The Group has always attached great importance to the training and development of human resources, and made endeavour to provide training and education to employees at all levels. The Group has faithfully implemented budgeted standard for training expenses and its implementation plan, utilised the online platform and offline resources to enhance our internal talent nurturing and strived to establish different types of internal training courses. As of 30 June 2021, the Group has conducted a total of 328 training courses with 24,900 participants and total curriculum duration of approximately 588,250 hours. Self-evaluation on the internal and external trainings by the participants showed that overall satisfaction rate was above 95% or a level of satisfactory was attained.

DIVIDEND

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

AUDITOR OF THE COMPANY

The Shareholders considered and approved the ordinary resolution in respect of the proposed appointment of BDO China SHU LUN PAN Certified Public Accountants LLP as the auditor of the Company at the annual general meeting of the Company held on 25 June 2021 for a term of office until the close of the next annual general meeting of the Company.

Disclosure of Information on the Stock Exchange's Website

The electronic version of this announcement has been published on the websites of the Stock Exchange (<http://www.hkexnews.hk/>) and the Company (<http://www.gdyueyun.com>). An interim report for the year ended 30 June 2021 containing all the information required under the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Guangdong Yueyun Transportation Company Limited
Zhang Li
Company Secretary

Guangzhou, the PRC
19 August 2021

As at the date of this announcement, the Board comprises Mr. Tang Yinghai, Mr. Yao Hanxiong, Mr. Zhang Xian and Mr. Huang Wenban as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Jin Wenzhou, Ms. Lu Zhenghua, Ms. Wen Huiying and Mr. Zhan Xiaotong as independent non-executive directors of the Company.

* *For identification purpose only*