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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 2022 INTERIM RESULTS

RESULTS AND BUSINESS HIGHLIGHTS:

	For the six months ended		Change %
	30 June 2022 <i>RMB'000</i> <i>(unaudited)</i>	30 June 2021 <i>RMB'000</i> <i>(unaudited)</i>	
Revenue	2,915,062	3,092,467	(6%)
Net (loss)	(107,152)	(123,988)	N/A
Net (loss) attributable to shareholders of the Company	(77,423)	(60,764)	27%
Basic (loss) per share	RMB(0.10)	RMB(0.08)	27%
Diluted (loss) per share	RMB(0.10)	RMB(0.08)	27%

- The revenue of the Group for the six months ended 30 June 2022 was approximately RMB2,915.062 million, representing a decrease of approximately RMB177.405 million or 6% as compared to the corresponding period in 2021.
- The net loss for the six months ended 30 June 2022 was approximately RMB107.152 million, representing a decrease in loss of approximately RMB16.836 million as compared to the corresponding period in 2021.
- Net loss attributable to shareholders of the Company for the six months ended 30 June 2022 was approximately RMB77.423 million, representing an increase in loss of approximately RMB16.659 million as compared to the corresponding period in 2021.
- For the six months ended 30 June 2022, both basic loss per share and diluted loss per share were RMB0.10.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

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 2022. The unaudited consolidated interim results of the Group for the six months ended 30 June 2022 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 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 2022**(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)*

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

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)*

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

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2022**(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)*

	<i>Notes</i>	30 June 2022	31 December 2021
Liabilities and shareholders' equity			
(Continued)			
Shareholders' equity:			
Share capital		799,847,800.00	799,847,800.00
Capital reserve		20,371,669.11	20,204,510.54
Other comprehensive income		(34,777,278.60)	(38,549,691.47)
Specific reserve		26,172,956.20	22,981,970.80
Surplus reserve		228,567,221.55	228,567,221.55
Retained earnings	<i>13</i>	738,956,611.36	816,379,787.01
Total equity attributable to shareholders of the Company		1,779,138,979.62	1,849,431,598.43
Non-controlling interests		870,981,922.81	893,277,899.38
Total shareholders' equity		<u>2,650,120,902.43</u>	<u>2,742,709,497.81</u>
Total liabilities and shareholders' equity		<u>10,243,466,226.80</u>	<u>10,543,632,762.95</u>

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

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2022

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

Items	Notes	For the first six months of 2022	For the first six months of 2021
I. Total operating income		2,915,061,721.44	3,092,466,602.37
Including: operating income		2,915,061,721.44	3,092,466,602.37
II. Total operating costs		3,190,550,828.81	3,332,474,728.86
Including: Operating costs		2,763,543,465.01	2,880,099,012.22
Taxes and surcharges		17,561,539.12	22,568,385.29
Selling and distribution expenses		26,955,697.77	27,953,498.16
General and administrative expenses		272,779,828.41	281,710,805.01
Research and development expenses		1,447,743.14	–
Financial expenses	14	108,262,555.36	120,143,028.18
Add: Other income	15	189,102,219.67	164,626,918.37
Investment income	16	(3,176,443.16)	6,522,290.38
Including: Income from investments in associates and joint ventures		(2,946,752.44)	6,751,981.10
Accrual of credit losses	17	(6,352,869.14)	(5,441,123.58)
Gains from asset disposals	18	11,708,170.50	4,538,582.44
III. Operating loss		(84,208,029.50)	(69,761,458.88)
Add: Non-operating income	19	7,884,209.66	5,834,749.86
Less: Non-operating expenses		2,090,107.05	7,476,497.65
IV. Loss before income tax		(78,413,926.89)	(71,403,206.67)
Less: Income tax expenses	20	28,738,025.49	52,585,420.95
V. Net loss		(107,151,952.38)	(123,988,627.62)
(1) Net loss classified by continuity of operations			
1. Net loss from continuing operations		(107,151,952.38)	(123,988,627.62)
2. Net loss from discontinued operations		–	–
(2) Net loss classified by ownership Attributable to:			
1. Shareholders of the Company		(77,423,175.65)	(60,764,972.12)
2. Non-controlling interests		(29,728,776.73)	(63,223,655.50)

CONSOLIDATED INCOME STATEMENT (UNAUDITED) (CONTINUED)**For the six months ended 30 June 2022***(Unless otherwise stated, all amounts are denominated in Renminbi Yuan)*

Items	<i>Notes</i>	For the first six months of 2022	For the first six months of 2021
VI. Other comprehensive income, net of tax		6,700,518.42	(1,798,751.71)
Other comprehensive income (net of tax) attributable to shareholders of the Company		3,772,412.87	(1,161,857.37)
(1) Items that will not be reclassified to profit or loss		–	624,460.20
1. Remeasurement of defined benefit plan		–	624,460.20
(2) Items that may be reclassified subsequently to profit or loss		3,772,412.87	(1,786,317.57)
1. Other comprehensive income that may be reclassified subsequently to profit or loss under the equity method		(1,109,461.62)	–
2. Translation differences arising from translation of foreign currency financial statements		4,881,874.49	(1,786,317.57)
Other comprehensive income (net of tax) attributable to non-controlling interests		2,928,105.55	(636,894.34)
VII. Total comprehensive income		<u>(100,451,433.96)</u>	<u>(125,787,379.33)</u>
Attributable to:			
Shareholders of the Company		(73,650,762.78)	(61,926,829.49)
Non-controlling interests		(26,800,671.18)	(63,860,549.84)
VIII. Earnings per share:			
(1) Basic earnings per share (RMB/share)	21	(0.10)	(0.08)
(2) Diluted earnings per share (RMB/share)	21	(0.10)	(0.08)

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

NOTES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1) Basis of preparation

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

2) Going concern

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

As at 30 June 2022, the Group’s current liabilities exceeded their current assets by RMB937,968,097.39. As at 30 June 2022, the Group have obtained the unutilised general facility of RMB3,395,974,450.00 granted by financial institutions, and the Group are expected to have sufficient financial support to pay off debts in the next 12 months, so the interim financial statements are still prepared on the basis of going concern.

2. CHANGES IN THE SCOPE OF CONSOLIDATION

Haifeng Yueyun Vehicles Transportation Co., Ltd. and Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd., the subsidiaries of the Company, completed industrial and commercial deregistration during the first half of 2022 and have not been longer included in the scope of consolidation since then. The operating results and cash flows of the above companies before the date of cancellation have been included in the Group’s consolidated income statement and consolidated cash flow statement for the period.

3. ACCOUNTS RECEIVABLE

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

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

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

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

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

Provision for bad debts is made on an individual basis:

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

Provision for bad debts is made on a collective basis:

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

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

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

4. **FIXED ASSETS**

1) *Fixed assets and fixed assets liquidation*

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

2) **Fixed assets**

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

Items	Buildings and structures	Buildings improvements	Machinery and equipment	Electronic equipment, office equipment and others	Transportation vehicles	Total
3. Provision of impairment						
(1) Balance as at 31 December 2021	–	–	–	–	4,175,117.03	4,175,117.03
(2) Balance as at 30 June 2022	–	–	–	–	4,175,117.03	4,175,117.03
4. Book value						
(1) As at 30 June 2022	1,496,443,908.68	106,176,908.94	71,217,036.51	124,785,000.73	1,436,792,426.68	3,235,415,281.54
(2) As at 31 December 2021	1,544,214,055.57	110,342,975.13	71,863,024.66	140,105,757.83	1,630,000,412.31	3,496,526,225.50

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

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

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

4) Fixed assets liquidation

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

5. RIGHT-OF-USE ASSETS

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

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

6. INTANGIBLE ASSETS

1) Details of intangible assets

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

Items	Land use rights	Computer software	Passenger service licenses	Station and toll bridge franchise operating rights	Line license use rights and route operation rights	Trademark rights and others	Total
3. Book value							
(1) As at 30 June 2022	625,828,398.42	38,522,299.17	37,476,882.28	91,078,333.85	111,409,969.01	2,198,921.81	906,514,804.54
(2) As at 31 December 2021	635,515,278.54	44,037,307.71	35,829,161.53	96,728,292.11	121,704,598.17	2,313,214.07	936,127,852.13

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

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

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

7. SHORT-TERM LOANS

1) Classification of short-term loans

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

Note 1: As at 30 June 2022, the Group's short-term loans were borrowings from banks or Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") within 1 year, which bear interest rates ranging from 2.80%-6.50% per annum (31 December 2021: 1.90%-6.50%).

Note 2: The pledged loan held by the Group is the loan borrowed by the subsidiary Shenzhen Yuegang Transport Company Limited with its 20% equity shares as the pledged assets.

Note 3: For the details of assets mortgaged for secured loans as at 30 June 2022, please refer to Note 4 and 6.

Note 4: As at 30 June 2022, the pledged and mortgaged loans held by the Group are the loans borrowed by the subsidiary Shanwei Yueyun Automobile Transportation Co., Ltd. with the comprehensive operation subsidy during the demonstration, promotion and application period of new energy bus in 2022 as the pledged assets and land as the collateral.

2) Overdue short-term loans

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

8. ACCOUNTS PAYABLE

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

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

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

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

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

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

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

9. **NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR**

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

10. LONG-TERM LOANS

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

Note 1: As at 30 June 2022, all the Group's long-term loans were from banks and GCG Finance with interest rates ranging from 3.55% ~ 4.90% per annum (31 December 2021: 3.65% ~ 4.90%).

Note 2: For the details of assets mortgaged for secured loans as at 30 June 2022, please refer to Note 4 and 6.

Note 3: As at 30 June 2022, pledged loans held by the Group include the loans borrowed by Qingyuan Yueyun Vehicles Transportation Co., Ltd. with RMB500,000.00 as the pledge deposit and the loan borrowed by Shanwei Yueyun Automobile Transportation Co., Ltd. with the national subsidies of 2019 for energy saving and the operation of new energy vehicles as pledged assets.

Note 4: As at 30 June 2022, mortgaged and guaranteed loans held by the Group include the loans borrowed by the subsidiaries: Heyuan Yueyun Motor Transportation Co., Ltd. with land as collateral, and joint liability guaranteed by shareholders for the remaining exposures in proportion to their shareholdings; and the loans borrowed by Guangdong Yueyun Langri Co., Ltd., Heyuan City Yueyun Motor Transportation Co., Ltd., Qingyuan Yueyun Vehicles Transportation Co., Ltd., Meizhou Yueyun Motor Transportation Co., Ltd. and Maoming Dianbai Yueyun Vehicles Transportation Co., Ltd., with vehicles as collateral and Zhengzhou Anchi Bonding Co., Ltd., which is the third party, as joint liability guarantee.

Note 5: As at 30 June 2022, the pledged and mortgaged loans held by the Group are the loans borrowed by the subsidiary of the Company, Shanwei Yueyun Automobile Transportation Co., Ltd. with the comprehensive operation subsidy during the demonstration, promotion and application period of new energy bus in 2022 as the pledged assets and land as the collateral.

Note 6: As at 30 June 2022, pledged, mortgaged and guaranteed loans held by the Group are the loan borrowed by Shanwei Yueyun Automobile Transportation Co., Ltd. with the national subsidies of 2019 for energy saving and the operation of new energy vehicles as pledged assets, with land as collateral and guaranteed by the Company at 51% joint and several liabilities.

Note 7: As at 30 June 2022, there was no overdue borrowing by the Group (31 December 2021: Nil).

11. BONDS PAYABLE

1) Changes in bonds payable

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

Note: On 28 September 2015, the Company entrusted Morgan Stanley Huaxin Securities Company Limited as the lead underwriter and issued the 2014 corporate bonds (first phase) to the public in an aggregated nominal amount of RMB400.00 million with a term of 7 years. Relevant interest is calculated and paid annually at a coupon rate of 4.20% per annum and the principal will be returned upon maturity. The Company will be entitled at its option to adjust the coupon rate and the investors will be entitled to request the Company to redeem the bonds after five years of the issue date. On 28 September 2020, the Company redeemed the bonds with the amount of RMB8,694,000.00 of bond principal without adjusting the coupon rate.

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

12. LEASE LIABILITIES

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

13. RETAINED EARNINGS

Items	For the first six months of 2022	For the first six months of 2021
Retained earnings at the beginning of this year	816,379,787.01	1,052,303,964.69
Add: Net loss for the period attributable to the shareholders of the Company	<u>(77,423,175.65)</u>	<u>(60,764,972.12)</u>
Retained earnings at the end of the period	<u><u>738,956,611.36</u></u>	<u><u>991,538,992.57</u></u>

Note: No dividend was declared by the Company for the first six months of 2022 (corresponding period of 2021: no dividend was declared).

14. FINANCIAL EXPENSES

Items	For the first six months of 2022	For the first six months of 2021
Interest expenses from loans, bonds and payables	55,427,161.62	56,111,057.95
Less: Borrowing costs capitalised	–	692,888.89
Net interest expenses	55,427,161.62	55,418,169.06
Less: Interest income	8,097,244.56	7,073,928.87
Exchange (gains)/losses	(3,273,884.12)	3,013,474.69
Amortisation of unrecognized financing charges	2,870,603.39	4,250,289.32
Interest expenses from lease liabilities	53,390,187.09	59,935,527.37
Others	7,945,731.94	4,599,496.61
Total	<u>108,262,555.36</u>	<u>120,143,028.18</u>

15. OTHER INCOME

Items	For the first six months of 2022	For the first six months of 2021
Government grants related to assets	41,298,228.63	38,700,514.60
Government grants related to income	126,190,062.26	100,756,064.44
VAT reduction and exemption, etc.	21,613,928.78	25,170,339.33
Total	<u>189,102,219.67</u>	<u>164,626,918.37</u>

16. INVESTMENT INCOME

Items	For the first six months of 2022	For the first six months of 2021
Income from long-term equity investments under equity method	(2,946,752.44)	6,751,981.10
Others	(229,690.72)	(229,690.72)
Total	<u>(3,176,443.16)</u>	<u>6,522,290.38</u>

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

17. ACCRUAL OF CREDIT LOSSES

Items	For the first six months of 2022	For the first six months of 2021
Accounts receivable	(4,644,608.52)	(4,747,496.20)
Other receivables	(1,708,260.62)	(693,627.38)
Total	<u>(6,352,869.14)</u>	<u>(5,441,123.58)</u>

18. GAINS FROM ASSET DISPOSALS

Items	For the first six months of 2022	For the first six months of 2021
Gains from disposal of fixed assets	1,923,577.74	2,368,321.63
Gains from disposal of other non-current assets	2,897,499.69	–
Gains from disposal of right-of-use assets	6,887,093.07	2,170,260.81
Total	<u>11,708,170.50</u>	<u>4,538,582.44</u>

19. NON-OPERATING INCOME

Items	For the first six months of 2022	For the first six months of 2021
Gains on disposal of non-current assets	2,117,975.43	1,455,149.49
Government grants	2,128,134.22	140,796.46
Others	3,638,100.01	4,238,803.91
Total	<u>7,884,209.66</u>	<u>5,834,749.86</u>

20. INCOME TAX EXPENSES

Items	For the first six months of 2022	For the first six months of 2021
Current income tax expense	27,732,469.52	63,643,060.91
Deferred tax expense	1,005,555.97	(11,057,639.96)
Total	<u>28,738,025.49</u>	<u>52,585,420.95</u>

21. EARNINGS PER SHARE**1) Basic earnings per share**

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

Items	For the first six months of 2022	For the first six months of 2021
Consolidated net loss attributable to ordinary shareholders of the Company	(77,423,175.65)	(60,764,972.12)
Weighted average number of ordinary shares outstanding	799,847,800.00	799,847,800.00
Basic earnings per share	(0.10)	(0.08)
Including: Basic earnings per share from continuing operations	<u>(0.10)</u>	<u>(0.08)</u>

Weighted average number of ordinary shares is calculated as follows:

Items	For the first six months of 2022	For the first six months of 2021
Issued ordinary shares at the beginning and the end of the period	<u>799,847,800.00</u>	<u>799,847,800.00</u>
Weighted average number of ordinary shares at the end of the period	<u><u>799,847,800.00</u></u>	<u><u>799,847,800.00</u></u>

2) *Diluted earnings per share*

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

22. GOVERNMENT GRANTS

1) *Government grants related to assets*

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offsetting the loss of related costs and expenses		Items included in the current profit and loss or offsetting the loss of related costs and expenses
			For the first six months of 2022	For the first six months of 2021	
Subsidies for vehicles replacement	1,084,975.61	Deferred income	670,744.00	943,882.77	Other income
Subsidies for procurement of new energy vehicles	156,275,005.57	Deferred income	34,665,515.97	33,118,898.88	Other income
Subsidies for fixed assets renovation	107,628,801.32	Deferred income	3,542,101.28	3,138,949.52	Other income
Tax subsidies for vehicles purchase	11,812,515.78	Deferred income	212,765.94	199,999.97	Other income
Software development subsidies	300,000.00	Deferred income	-	-	Other income
Other subsidies related to assets	13,683,188.30	Deferred income	2,207,101.44	1,298,783.46	Other income
Total	<u>290,784,486.58</u>		<u>41,298,228.63</u>	<u>38,700,514.60</u>	

2) *Government grants related to income*

Items	The amount included in the current profit and loss or offsetting the loss of related costs and expenses		Items included in the current profit and loss or offsetting the loss of related costs and expenses
	For the first six months of 2022	For the first six months of 2021	
Fuel subsidies	124,461,847.33	2,889,758.11	Operating costs
Subsidies for operation of bus lines	77,350,793.01	77,588,995.05	Other income
Subsidies of elderly concessionary travel card	24,159,142.21	15,740,093.12	Other income
Other subsidies	24,680,127.04	7,426,976.27	Other income
COVID-19 related subsidies	1,816,634.22	140,796.46	Non-operating income
Other subsidies	311,500.00	-	Non-operating income
Total	<u>252,780,043.81</u>	<u>103,786,619.01</u>	

23. NET CURRENT LIABILITIES

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

24. TOTAL ASSETS LESS CURRENT LIABILITIES

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

25. LEASE**1) As a lessee**

Items	For the first six months of 2022	For the first six months of 2021
Interest expense on lease liabilities	53,390,187.09	59,935,527.37
Short-term lease expenses applied the practical expedient	8,992,617.85	11,156,285.58
Variable lease payments not included in the measurement of lease liabilities	5,361,728.77	4,499,553.93
Income from sub-leasing right-of-use assets	224,519,741.80	226,565,709.27
Total cash outflow for leases	<u>159,413,757.48</u>	<u>154,701,889.89</u>

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

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

2) *As a lessor*

(1) *Operating lease*

Items	For the first six months of 2022	For the first six months of 2021
Lease income	235,412,966.28	324,715,834.75
Including: income related to variable lease payments not included in lease receipts	2,709,819.76	3,097,898.65

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

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

26 **SEGMENT INFORMATION**

1) *Determination basis and accounting policies of reportable segments*

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

2) Segment reporting

For the first six months of 2022

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

For the first six months of 2021

Items	Expressway service zones operation	Road passenger transportation and auxiliary	Other business	Inter-segment eliminations	Total
Operating income	1,842,636,177.83	1,188,459,989.36	91,617,668.87	(30,247,233.69)	3,092,466,602.37
Including: Operating income from external customers	1,820,236,543.94	1,184,235,969.78	87,994,088.65	–	3,092,466,602.37
Inter-segment operating income	22,399,633.89	4,224,019.58	3,623,580.22	(30,247,233.69)	–
Operating costs	1,543,329,906.73	1,320,644,046.92	40,059,690.16	(23,934,631.59)	2,880,099,012.22
Operating profit	<u>186,374,683.26</u>	<u>(259,642,910.05)</u>	<u>4,405,512.80</u>	<u>(898,744.89)</u>	<u>(69,761,458.88)</u>

As at 30 June 2022

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

As at 31 December 2021

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

TRAVEL SERVICE SEGMENT

I. Expressway Service Zones Operation

1. Energy Business

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

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

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

2. *Retail Business*

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

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

3. *Merchant Solicitation Business*

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

- (1) Strengthening the acquisition of service zone resources. The Xinxu service zone on the Guangzhou-Zhanjiang line has been opened and put into operation this year, and the leasing of the food plaza and vehicle repair project in the Shengtang service zone has been completed, basically reaching the operational conditions. We will continue to promote the merchant solicitation and construction of service zones such as Liangjinshan, Xinyangjiang, Yangxi and Shashui.
- (2) Formulating policies to support and relieve the financial difficulties of merchants during the epidemic. With effective measures to boost the business confidence of the merchants, we stabilised the development of the merchant solicitation business.
- (3) Expanding the platform and enhancing incremental commercial value. Based on the network resources and traffic advantages of the service zones, we optimized and adjusted the layout of the original shared innovation projects, continued to explore and promote new business forms such as medicine vending machines and lottery machines, and launched the opening and operation of “Yipinhui (驛品薈)” stores in Liangjinshan and Lantang.

4. *Advertising Business*

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

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

II. *Road Passenger Transportation and Auxiliary*

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

- (1) Implementing the restructuring of business with a demand-oriented approach. We will transform the operation from shuttle transportation to customized or chartered passenger transportation. We actively approached government agencies, enterprises and schools to collaborate on chartered bus business and promoted non-station group passenger business such as online car-hailing services, customized passenger services, shuttle bus and student scheduled services. By the end of June 2022, the percentage of non-station group passenger business increased by 21 percentage points year-on-year.
- (2) Continuing to optimize our vehicle model portfolio and composition. In order to adapt to the “New Passenger Regulations”, we conducted reasonable adjustment of our vehicle model portfolio according to the future feature of “small-lot and multiple-batch” road passenger transportation and business needs. As of the end of June 2022, large vehicles of over 9-meter length accounted for 42% of our road passenger transportation (excluding public transportation and rental). Subsequently, we shall continue to strictly supervise the models of large vehicles and reduce operating costs in the future.

- (3) Implementing the strategy of “digitalized transformation and platform operation”. We strengthened the upgrade of “Yuexing (悦行)” platform. As of the end of June 2022, the intercity and customized ride-sharing business of “Yueyun Yuexing (粤运悦行)” had been launched in Yangjiang, Chaozhou, Zhongshan, Zhaoqing (Zhaoqing urban area, Sihui and Huaiji), Meizhou and Chaoyang, with a total of 685 routes in operation and a total of 98,100 passengers served, representing a year-on-year increase of 6.75%. The functional development of the “two passenger, one hazardous material and one heavy-loaded transportation (两客一危一重)” was basically completed, and the supervision and operation services were completed with high quality to achieve a significant decrease in the risks and accidents of key operating vehicles in Guangdong Province.
- (4) Accelerating the transformation of passenger transportation stations. Under the premise of ensuring the basic functions of passenger transportation, by transforming stations into convenient stations or greeting stations, we maximized the development of idle resources at stations and leased station properties to increase rental income. During the first half of the year, a total of 15 passenger stations were transformed into convenient stations and 13 stations were transformed into greeting stations.
- (5) Optimization and expansion of expressway rescue services. By the end of June 2022, “Yueyun Rescue” of the Group had rescue service mileage of approximately 7,002 kilometers. The Group set up a total of 188 rescue stations, with 825 rescue team members and 676 sets of various rescue equipment. We are committed to providing standardized rescue services to ensure the safety and smoothness of expressway travel.

III. Taiping Interchange Operation

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

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

IV. Material Logistics Segment

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

Staff Structure and Organizational Optimization

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

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

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

FINANCIAL REVIEW

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

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

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

Operating income

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

Operating income by business segments:

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

1. Expressway Service Zones Operation Business

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

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

2. Road Passenger Transportation and Auxiliary Business

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

3. Operation of Taiping Interchange

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

4. Other Businesses

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

Gross profit

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

Gross profit by business segments:

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

1. Expressway Service Zones Operation

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

- (1) The energy business generated gross profit of RMB192.695 million in the first half of 2022 (corresponding period in 2021: RMB202.214 million), representing a year-on-year decrease of RMB9.519 million or approximately 5%. The gross profit margin was 12% (corresponding period in 2021: 15%). The decrease in gross profit was mainly due to a year-on-year decrease in differences between purchasing and selling prices. The gross profit margin of the energy business for the period was 21% (corresponding period in 2021: 23%).
- (2) The retail business generated gross profit of RMB4.221 million in the first half of 2022 (corresponding period in 2021: RMB35.235 million), representing a year-on-year decrease of RMB31.014 million or approximately 88%. The gross profit margin was 2% (corresponding period in 2021: 16%). The decrease in gross profit was mainly attributable to (1) a year-on-year decrease in revenue due to the continuation of pandemic; and (2) an increase in the initial investment costs for the new stores.

- (3) The merchant solicitation business generated gross loss of RMB7.278 million in the first half of 2022 (corresponding period in 2021: gross profit of RMB36.841 million), representing a year-on-year decrease of RMB44.119 million or approximately 120%. The gross loss margin was 6% (corresponding period in 2021: gross profit margin of 23%). The decrease in gross profit was mainly attributable to a year-on-year decrease in revenue due to the continuation of pandemic.
- (4) The advertising business generated gross profit of RMB16.779 million in the first half of 2022 (corresponding period in 2021: RMB22.542 million), representing a year-on-year decrease of RMB5.763 million or approximately 26%. The gross profit margin was 41% (corresponding period in 2021: 45%). The decrease in gross profit was mainly due to a year-on-year decrease in revenue from column billboards.

2. Road Passenger Transportation and Auxiliary Business

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

3. Taiping Interchange operation

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

4. Other business

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

Taxes and surcharges

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

Selling and distribution expenses

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

Administrative and research and development expenses

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

Finance expenses

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

Other income

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

Investment (loss)/gain

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

Credit impairment (losses)

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

Gains on disposal of assets

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

Non-Operating Income and Expenses

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

Liquidity and capital structure

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards use of funds. The Group satisfied its requirement for cash in respect of its payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and bank borrowings. The Group proactively optimized financial structure and lowered overall financial cost. The Group enhanced capital allocation through the operation of cash pooling, in order to effectively reduce the need for external borrowings and increase the efficiency of fund utilization. In the first half of 2022, benefiting from the strict budget control over the funds and the optimization of the financial structure, the balance of available facilities of the Group granted by banks and other financial institutions amounted to RMB3,395.974 million, which provided sufficient protection for the Group's operating loans and ensured repayment of principal and interest without risk.

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

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total Shareholder's equity

Asset to liability ratio = Total liabilities/Total assets

Cash flows

In the first half of 2022, the Group satisfied its requirements for payment obligations under contracts, expansion and development of core business and general working capital mainly through cash generated from operating activities and long-term debt with low interest rates. Cash and cash equivalents of the Group were mainly denominated in RMB. Cash and cash equivalents (after excluding the effect of exchange rate movement) were as follows:

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

Operating activities

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

Investing activities

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

Financing activities

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

Borrowings

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

Material subsequent events

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

Major Acquisitions, Disposals and Establishment of New Companies

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

Major properties held for investment

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

Pledge of assets

As at 30 June 2022, fixed assets at the net value of approximately RMB294.053 million (31 December 2021: RMB337.250 million) and land use rights at the net value of approximately RMB143.582 million (31 December 2021: RMB139.146 million) of the Group were pledged as security for borrowings and long-term payables. As at 30 June 2022, transportation vehicles at net value of approximately RMB207.718 million (31 December 2021: RMB366.182 million) of the Group were pledged as security for lease.

Foreign exchange risk and hedging

Most of the revenue and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure that relate to cross-border transportation services. In the first half of 2022, the working capital and liquidity of the Group were slightly affected by the fluctuations in foreign exchange rate. The directors of the Company (the “**Director(s)**”) believe that the Group will have sufficient foreign currency to meet its demand. The Group will continue to pay close attention to the currency fluctuations of RMB and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

Contingent liabilities

As of 30 June 2022, the Group had no material contingent liabilities.

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

I. Expressway Service Zones Operation

1. Energy Business

- (1) Firmly implementing the strategy of establishing our self-developed and self-operated oil stations. Throughout the year, the Group will strive to complete the construction (including reconstruction) of 8 oil stations to achieve 66 self-develop and self-operated oil stations under operation. We will endeavour to integrate our internal and external resources of the Group to expedite the expansion and strengthen the business rapidly. The Group will strive to build up our terminal sales network by high-speed encrypted oil stations and downstream oil station projects.
- (2) Deepening our precise management, enhancing our intelligent service level. Integrated with the timing of significant holidays, the Group will launch interactive marketing activities for oil and non-oil products in terms of seasonality and subjectivity, attract customers and enhance our brand awareness, and improve our membership system. We will increase the activation rate of membership customers and optimize our structure between oil stations and customers by point redemption, development of large customers and bulk purchase.
- (3) Continuing to widen the procurement channel. The Group will strengthen the procurement cost control, integrate with the energy supply service nature of service zones, consistently build up and optimize our own sales and service system and facilitate the maximization of corporate operating synergy.
- (4) Further increasing the depth and width of cooperation with large scale energy corporates, such as CNPC and Sinopec. The Group will carry out in-depth investment analysis in various operating models of energy business and conduct scientific reference for decision-making and continuously enhance our long-term rewards from operating rights.
- (5) Drawing layouts for new energies in advance and selectively expanding upstream and downstream segments along the industry chain. Under the objective of “Emission Peak and Carbon Neutrality” (碳中和、碳達峰), the Group will innovate the integrated energy development layouts and continue to promote the implementation of new energy businesses including charging posts and power exchange stations in order to cope with the sweeping revolution of energy structure.

2. Retail Business

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

3. Merchant Solicitation Business

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

4. Advertising Business

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

II. Road Passenger Transportation and Auxiliary Services

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

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

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

Key business developments and financing arrangements for the second half of 2022

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

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2022, the Company did not redeem any of its shares. During the six months ended 30 June 2022, neither the Company nor its subsidiaries repurchased or sold any shares of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

For the six months ended 30 June 2022, the Company had complied with all the code provisions except for code provision B.2.2 and code provision C.2.1 of the Corporate Governance Code contained in Appendix 14 to the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”). Code provision B.2.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company's articles of association also stipulate that the directors and supervisors elected at general meeting shall be for a term of three years. As approved by the Company's shareholders at the 2018 annual general meeting held on 17 June 2019, the term of the seventh session of Board and the seventh session of the Supervisory Committee of the Company has expired on 17 June 2022. The election of the members of the eighth session of the Board and the shareholder representative supervisors and employee representative supervisors of the eighth session of the Supervisory Committee of the Company will be completed on the 2022 first extraordinary general meeting to be held on 31 August 2022. The office term of the Directors of the seventh session of Board and supervisors of the seventh session of the Supervisory Committee of the Company shall be extended until the election of the new members of the Board and the Supervisory Committee. Pursuant to code provision C.2.1, the role of chairman and the chief executive should be separate and should not be performed by the same individual. For the period from 20 April 2022 to 7 August 2022, Mr. Guo Junfa, Chairman of the Board, acted as the acting general manager of the Company in order to fill the vacancy as soon as possible as Mr. Tang Yinghai has resigned as the General Manager of the Company due to work relocation. During the period when Mr. Guo Junfa, Chairman of the Board, acted the acting general manager of the Company, although deviating from Code Provisions C.2.1 of the Listing Rules, Mr. Guo Junfa provided solid and continuous leadership to the Group with his extensive experience and knowledge in management and the support of our management. Moreover, under the supervision of other existing members of the Board, the Board was appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders. As such, the Board was of the view that the deviation from code provision C.2.1 of the Corporate Governance Code was appropriate in the said situation. In addition, on 8 August 2022, the Board of the Company appointed Mr. Zhu Fang as the general manager of the Company. The roles of chairman and the chief executive of the Company are performed by different persons. The Company has complied with the requirement of code provision C.2.1.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and the supervisors of the Company (the “**Supervisor(s)**”). Having made specific enquiry with all the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she had complied with the requirements set out in the Model Code for the six months ended 30 June 2022.

DIRECTORS AND SUPERVISORS’ INTERESTS

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

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

Save as disclosed above, as at the date of this announcement, none of the Directors, the Supervisors or the chief executives of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) of the Company which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

BOARD

As at 30 June 2022 and up to the date of this announcement, the Board consisted of 8 members, including two executive Directors, namely Mr. Guo Junfa 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 2022, the Audit & Corporate Governance Committee comprised three members, namely Ms. Lu Zhenghua (Chairman) and Mr. Jin Wenzhou, two independent non-executive Directors, and Mr. Chen Chuxuan, a non-executive Director. The Audit & Corporate Governance Committee has reviewed the unaudited interim financial report of the Company for the six months ended 30 June 2022 and recommended its adoption by the Board. The independent auditor of the Company, BDO China SHU LUN PAN Certified Public Accountants LLP, has also reviewed the unaudited interim financial report for the six months ended 30 June 2022 in accordance with Chinese Standards on Review No. 2101-Engagements to Review Financial Statements issued by the Chinese Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

As at 30 June 2022 and up to the date of this announcement, the Supervisory Committee comprised 6 members, including two independent Supervisors, namely Mr. Dong Yihua and Mr. Lin Hai, one Shareholder Representative Supervisor, namely Mr. Wang Qingwei, and three Employee Representative Supervisors, namely Mr. Zhen Jianhui, Ms. Li Xiangrong and Ms. Lian Yuebin.

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

The Group had 19,413 employees as at 30 June 2022 (31 December 2021: 22,014). Total staff costs for the six months ended 30 June 2022, including the Directors' remuneration, amounted to approximately RMB918 million (corresponding period in 2021: approximately RMB941 million).

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

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

TRAINING OF EMPLOYEES

The Group has always attached great importance to the training and development of human resources, and made endeavour to provide training and education to employees at all levels. The Group has faithfully implemented budgeted standard for training expenses and its implementation plan, utilised the online platform and offline resources to enhance our internal talent nurturing and strived to establish different types of internal training courses. As of 30 June 2022, the Group has conducted a total of 47 training courses with 3,557 participants and total curriculum duration of approximately 40,835 hours. Self-evaluation on the internal and external trainings by the participants showed that overall satisfaction rate was above 95% or a level of satisfactory was attained.

DIVIDEND

The Board did not declare the payment of an interim dividend for the six months ended 30 June 2022.

AUDITOR OF THE COMPANY

The Shareholders considered and approved the ordinary resolution in respect of the 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 10 June 2022 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 period ended 30 June 2022 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to Shareholders of the Company 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
Guo Junfa
Chairman of the Board

Guangzhou, the PRC
19 August 2022

As at the date of this announcement, the Board comprises Mr. Guo Junfa 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*