

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

- Operating income of the Group in 2022 was approximately RMB5,819,528,000, representing a decrease of approximately RMB451,609,000 (or 7%) compared to (restated) operating income of RMB6,271,137,000 in 2021.
- Net loss attributable to shareholders of the parent company in 2022 was approximately RMB150,423,000 (net loss attributable to shareholders of the parent company in 2021 (restated) was approximately RMB220,312,000), representing a year-on-year decrease in loss of RMB69,889,000.
- Both basic losses per share and diluted losses per share in 2022 were RMB0.19 (both basic losses per share (restated) and diluted losses per share (restated) in 2021 were RMB0.28), representing a year-on-year decrease in losses of RMB0.09 per share.

The Board (the “**Board**”) of Directors (the “**Directors**”) of Guangdong Yueyun Transportation Company Limited (the “**Company**” or “**Yueyun Transportation**”) announces the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022. The consolidated annual results of the Group have been reviewed by the audit and corporate governance committee of the Company (the “**Audit and Corporate Governance Committee**”). The majority members of the Audit and Corporate Governance Committee are independent non-executive Directors.

The following figures in respect of the preliminary announcement of the Group’s results as of 31 December 2022 have been compared by the Company’s auditor, BDO CHINA Shu Lun Pan Certified Public Accountants LLP, with the amounts set out in the Group’s audited financial statements for the year ended 31 December 2022 and the amounts were found to be consistent. The procedures performed by BDO CHINA Shu Lun Pan Certified Public Accountants LLP in respect of this announcement did not constitute an audit, a review or other assurance engagement and consequently no assurance has been expressed by BDO CHINA Shu Lun Pan Certified Public Accountants LLP on this announcement.

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

| | <i>Notes</i> | 31 December 2022 <i>RMB</i> | 31 December 2021 <i>RMB</i> (Restated, Note 3.2)) | 1 January 2021 <i>RMB</i> (Restated, Note 3.2)) |
|---|--------------|---------------------------------------|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Cash at bank and on hand | | 958,576,522.33 | 1,286,000,859.99 | 1,257,450,810.09 |
| Financial assets held for trading | | 6,703,831.00 | – | – |
| Bills receivable | | – | – | 300,000.00 |
| Accounts receivable | 4 | 367,089,918.68 | 378,590,943.97 | 397,134,363.09 |
| Prepayments | | 197,186,479.92 | 168,113,324.84 | 202,559,081.83 |
| Other receivables | | 583,927,507.55 | 498,008,067.64 | 529,245,803.49 |
| Inventories | | 104,752,877.67 | 105,222,645.32 | 116,442,130.05 |
| Non-current assets due within one year | | – | – | 609,548.93 |
| Other current assets | | 37,568,737.29 | 57,678,454.81 | 51,823,992.50 |
| Total current assets | | <u>2,255,805,874.44</u> | <u>2,493,614,296.57</u> | <u>2,555,565,729.98</u> |
| Non-current assets: | | | | |
| Long-term equity investments | | 330,963,888.37 | 327,134,876.10 | 359,966,325.61 |
| Investments in other equity instruments | | 3,774,048.22 | 4,224,048.22 | 4,224,048.22 |
| Investment properties | 5 | 252,249,332.12 | 150,589,454.52 | 89,597,709.57 |
| Fixed assets | 6 | 2,936,259,591.76 | 3,500,238,445.97 | 3,874,231,471.39 |
| Construction in progress | | 39,634,094.62 | 68,174,239.36 | 111,025,507.16 |
| Right-of-use assets | 7 | 1,974,043,927.79 | 2,114,567,301.83 | 2,191,785,806.40 |
| Intangible assets | 8 | 876,386,375.75 | 943,013,418.70 | 1,041,430,160.18 |
| Development expenditure | | 8,228,268.61 | 3,809,761.79 | – |
| Goodwill | | 26,928,052.71 | 79,157,674.71 | 98,674,211.85 |
| Long-term deferred expenses | | 273,840,261.44 | 292,490,425.67 | 254,043,775.78 |
| Deferred tax assets | | 123,924,039.55 | 264,796,763.44 | 269,416,097.10 |
| Other non-current assets | | 113,564,341.80 | 312,637,972.17 | 213,542,862.16 |
| Total non-current assets | | <u>6,959,796,222.74</u> | <u>8,060,834,382.48</u> | <u>8,507,937,975.42</u> |
| Total assets | | <u>9,215,602,097.18</u> | <u>10,554,448,679.05</u> | <u>11,063,503,705.40</u> |

| | <i>Notes</i> | 31 December 2022 <i>RMB</i> | 31 December 2021 <i>RMB</i> (Restated, Note 3.2)) | 1 January 2021 <i>RMB</i> (Restated, Note 3.2)) |
|---|--------------|---------------------------------------|---|---|
| Liabilities and shareholders' equity | | | | |
| Current liabilities: | | | | |
| Short-term loans | <i>9</i> | 750,037,827.58 | 755,901,358.75 | 593,611,398.50 |
| Bills payable | | 68,660,943.50 | 1,318,800.00 | – |
| Accounts payable | <i>10</i> | 571,212,763.22 | 648,328,265.32 | 678,605,751.61 |
| Advances from customers | | 100,265,629.12 | 104,758,388.69 | 104,125,802.87 |
| Contract liabilities | | 41,035,825.07 | 57,235,918.46 | 54,113,548.27 |
| Employee benefits payable | | 236,847,771.07 | 213,863,529.35 | 217,651,415.55 |
| Taxes payable | | 60,075,732.33 | 79,015,059.36 | 102,923,419.87 |
| Other payables | | 691,116,164.00 | 725,310,610.04 | 810,322,809.50 |
| Non-current liabilities due within one year | <i>11</i> | 1,027,975,915.81 | 1,014,008,729.14 | 532,304,104.16 |
| Other current liabilities | | 19,500,000.00 | 35,000,000.00 | – |
| Total current liabilities | | 3,566,728,571.70 | 3,634,740,659.11 | 3,093,658,250.33 |
| Non-current liabilities: | | | | |
| Long-term loans | <i>12</i> | 489,194,107.59 | 1,136,438,363.52 | 1,316,819,266.63 |
| Bonds payable | <i>13</i> | – | – | 392,533,626.17 |
| Lease liabilities | <i>14</i> | 1,846,526,980.15 | 2,059,766,502.67 | 2,141,386,286.24 |
| Long-term payables | | 143,631,667.20 | 195,830,684.95 | 79,084,738.67 |
| Long-term employee benefits payable | | 173,180,918.62 | 183,373,836.55 | 193,500,687.52 |
| Deferred income | | 452,021,471.51 | 520,671,034.97 | 610,531,662.58 |
| Deferred tax liabilities | | 62,562,904.22 | 70,419,505.38 | 75,395,451.85 |
| Total non-current liabilities | | 3,167,118,049.29 | 4,166,499,928.04 | 4,809,251,719.66 |
| Total liabilities | | 6,733,846,620.99 | 7,801,240,587.15 | 7,902,909,969.99 |

| | <i>Notes</i> | 31 December 2022 <i>RMB</i> | 31 December 2021 <i>RMB</i> (Restated, Note 3.2)) | 1 January 2021 <i>RMB</i> (Restated, Note 3.2)) |
|---|--------------|---------------------------------------|---|---|
| Shareholders' equity | | | | |
| Share capital | | 799,847,800.00 | 799,847,800.00 | 799,847,800.00 |
| Capital reserve | | 18,675,842.63 | 30,822,841.46 | 29,418,822.42 |
| Other comprehensive income | | (36,126,897.89) | (38,549,691.47) | (32,525,484.69) |
| Specific reserve | | 27,978,954.27 | 22,981,970.80 | 19,891,553.86 |
| Surplus reserve | | 241,393,938.42 | 228,567,221.55 | 212,973,127.89 |
| Retained earnings | <i>15</i> | 646,279,200.57 | 816,260,050.18 | 1,052,166,279.23 |
| | | | | |
| Total equity attributable to shareholders of the Company | | 1,698,048,838.00 | 1,859,930,192.52 | 2,081,772,098.71 |
| Non-controlling interests | | 783,706,638.19 | 893,277,899.38 | 1,078,821,636.70 |
| | | | | |
| Total shareholders' equity | | 2,481,755,476.19 | 2,753,208,091.90 | 3,160,593,735.41 |
| | | | | |
| Total liabilities and shareholders' equity | | 9,215,602,097.18 | 10,554,448,679.05 | 11,063,503,705.40 |

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

| Items | Notes | 2022 RMB | 2021 RMB |
|--|-------|-------------------------|----------------------|
| | | | (Restated, Note 3.2) |
| I. Total operating income | | 5,819,527,628.66 | 6,271,136,635.85 |
| Including: operating income | | 5,819,527,628.66 | 6,271,136,635.85 |
| II. Total operating costs | | 6,538,542,251.76 | 6,811,937,263.17 |
| Including: Operating costs | | 5,637,956,633.84 | 5,863,550,559.42 |
| Taxes and surcharges | | 40,035,405.71 | 42,736,368.79 |
| Selling and distribution expenses | | 57,482,937.78 | 65,013,168.21 |
| General and administrative expenses | | 577,049,112.20 | 608,226,781.02 |
| Research and development expenses | | 7,344,118.46 | 3,934,235.67 |
| Financial expenses | 16 | 218,674,043.77 | 228,476,150.06 |
| Add: Other income | 17 | 478,219,655.11 | 322,342,057.53 |
| Investment income | 18 | 236,040,737.83 | (7,378,606.14) |
| Including: Income from investments in associates and joint ventures | | (11,543,318.18) | (6,270,385.62) |
| Accrual of credit losses | 19 | (8,330,315.73) | (4,044,565.04) |
| Impairment losses | 20 | (49,770,139.60) | (19,516,537.14) |
| Gains from asset disposals | 21 | 26,512,000.24 | 5,344,335.22 |
| III. Operating profit | | (36,342,685.25) | (244,053,942.89) |
| Add: Non-operating income | 22 | 30,980,518.15 | 16,598,331.76 |
| Less: Non-operating expenses | 23 | 12,668,188.21 | 14,418,692.98 |
| IV. Loss before income tax | | (18,030,355.31) | (241,874,304.11) |
| Less: Income tax expenses | 24 | 190,950,427.14 | 81,467,084.79 |

| Items | <i>Notes</i> | 2022 RMB | 2021 RMB (Restated, Note 3.2) |
|--|--------------|--------------------------------|--|
| V. Net loss | | (208,980,782.45) | (323,341,388.90) |
| (1) Net loss classified by continuity of operations | | | |
| 1. Net loss from continuing operations | | (208,980,782.45) | (323,341,388.90) |
| 2. Net loss from discontinued operations | | - | - |
| (2) Net loss classified by ownership | | | |
| Attributable to: | | | |
| 1. Shareholders of the Company | | (150,423,379.26) | (220,312,135.39) |
| 2. Non-controlling interests | | (58,557,403.19) | (103,029,253.51) |
| VI. Other comprehensive income, net of tax | | 8,539,739.47 | (8,915,488.28) |
| Other comprehensive income (net of tax) attributable to shareholders of the Company | | 2,422,793.58 | (6,024,206.78) |
| (1) Items that will not be reclassified to profit or loss | | (5,924,552.02) | (4,060,421.31) |
| 1. Remeasurement of defined benefit plan | | (5,924,552.02) | (4,060,421.31) |
| (2) Items that may be reclassified subsequently to profit or loss | | 8,347,345.60 | (1,963,785.47) |
| 1. Translation differences arising from translation of foreign currency financial statements | | 8,347,345.60 | (1,963,785.47) |
| Other comprehensive income (net of tax) attributable to non-controlling interests | | 6,116,945.89 | (2,891,281.50) |
| VII. Total comprehensive income | | <u>(200,441,042.98)</u> | <u>(332,256,877.18)</u> |
| Attributable to: | | | |
| Shareholders of the Company | | (148,000,585.68) | (226,336,342.17) |
| Non-controlling interests | | (52,440,457.30) | (105,920,535.01) |
| VIII. Earnings per share: | | | |
| (1) Basic earnings per share (RMB/share) | 25 | (0.19) | (0.28) |
| (2) Diluted earnings per share (RMB/share) | 25 | (0.19) | (0.28) |

For a business involving entities under common control which occurred in this year, the net loss of the investees before being consolidated was RMB2,910,714.79 and the net profit in the previous year was RMB17,948.63.

NOTES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1) Basis of preparation

The financial statements of the Group have been prepared in accordance with the requirements of Accounting Standard for Business Enterprises – Basic Standards and its relevant specific accounting standards issued by the Ministry of Finance (“MOF”) of the PRC, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements. The 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 financial statements are prepared on the basis of going concern.

As at 31 December 2022, the Group’s current liabilities exceeded their current assets by RMB1,310,922,697.26. As at 31 December 2022, the Group have obtained sufficient unutilised general facility 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 financial statements are still prepared on the basis of going concern.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1) Changes in significant accounting policies and accounting estimates

There was no change in the Group’s significant accounting policies and accounting estimates during the year.

3. CHANGES IN THE SCOPE OF CONSOLIDATION

1) Business combinations not under common control

The Group did not have any business combination not under common control during the year.

2) Business combinations under common control

(1) Business combinations under common control occurred during the year

| Name of combined party | Percentage of equity acquired in the business combination | Basis for constituting a business combination under common control | Combination date | Basis for determining the combination date | Revenue of the combined party from the beginning of the current period when the combination occurred to the date of combination | Net profit of the combined party from the beginning of the current period when the combination occurred to the date of combination | Revenue of the combined party during the comparative period | Net profit of the combined party during the comparative period |
|---|---|---|------------------|--|---|--|---|--|
| Meizhou Yueyun Investment Company Limited | 100.00% | The entities involved in the combinations are all ultimately controlled by Guangdong Provincial Communication Group Company Limited (“GCGC”), the parent company of the Company, both before and after the business combination, and the control is not transitory. | 28 December 2022 | Acquisition of substantial control | 538,234.41 | (2,910,714.79) | 606,768.40 | 17,948.63 |

Pursuant to the equity transfer contract dated 4 November 2022 (the “**Equity Transfer Contract**”) entered into between the Company, as the transferee, and Guangzhou Liyun Investment Development Company Limited (廣州利運投資發展有限公司) (“**Liyun Investment**”, a subsidiary of GCGC), as the transferor, the Company acquired the entire equity interest in Meizhou Yueyun Investment Company Limited (梅州市粵運投資有限公司) (“**Meizhou Yueyun Investment**”) from Liyun Investment at a total consideration of RMB18,862,800. On 28 December 2022, the Group completed the relevant procedures for the equity purchase and obtained control of Meizhou Yueyun Investment. In view of the fact that the participating entities are ultimately controlled by the Company’s parent company, GCGC, both before and after the business combination, and that such control is not transitory, the above transaction constitutes a business combination under the common control.

For subsidiaries acquired through a business combination under common control, when the Company preparing the consolidated financial statements for the current period, the assets and liabilities acquired are measured on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date, and the Group and these subsidiaries have been regarded as the same reporting entity since the beginning of control by the ultimate controlling party. The Group therefore, retrospectively adjusted the opening balances of the consolidated financial statements and the comparative figures of the consolidated financial statements.

(2) Consolidation cost

| Items | Meizhou Yueyun Investment |
|--------------------------|---------------------------|
| Cash | 18,862,800.00 |
| Total consolidation cost | 18,862,800.00 |

(3) Carrying amount of the combined party's assets and liabilities at the date of combination

| Items | Meizhou Yueyun Investment | |
|-----------------------------|----------------------------------|------------------------------------|
| | At combination date | At the end of previous year |
| Assets: | 8,098,047.95 | 10,815,916.10 |
| Cash at bank and on hand | 741,624.35 | 378,754.74 |
| Accounts receivable | 11,980.00 | – |
| Fixed assets | 3,387,630.46 | 3,499,915.84 |
| Intangible assets | 3,928,587.00 | 6,885,566.57 |
| Long-term deferred expenses | 28,226.14 | 51,678.95 |
| Liabilities: | 510,168.65 | 317,322.01 |
| Employee benefits payable | 43,273.00 | 43,273.00 |
| Taxes payable | 7,390.87 | 3,042.33 |
| Other payables | 459,504.78 | 271,006.68 |
| Net assets | 7,587,879.30 | 10,498,594.09 |
| Net assets acquired | 7,587,879.30 | 10,498,594.09 |

3) Reverse take over

The Group did not make any reverse take over during the year.

4) Disposal of subsidiaries

(1) Loss of control upon a single disposal of investment in subsidiaries

| Name of subsidiaries | Consideration of disposal of equity | Percentage of disposal of equity (%) | Mode of disposal | Time of loss of control | Basis for determining the time of loss of control | The difference of consideration of disposal and the shares in net assets of the original subsidiary at the consolidated financial statement level | Percentage of remaining equity at the date of loss of control | Carrying amount of remaining equity at the date of loss of control | Fair value of remaining equity at the date of loss of control | Gains or losses arising from the remeasurement of remaining equity at the date of loss of control | Determination method and major assumptions of the fair value of the remaining equity at the date of loss of control | The amount of other comprehensive income related to the equity investment of the original subsidiary transferred to the investment profit and loss |
|---|-------------------------------------|--------------------------------------|-----------------------------|-------------------------|---|---|---|--|---|---|---|--|
| Guangdong Province Transportation Engineering Company Limited | 216,637,157.08 | 100.00 | Agreement transfer | 24 November 2022 | Completion of equity transfer | 225,809,792.02 | - | - | - | - | N/A | N/A |
| Dongyuan County Haixiong Shengjing Property Leasing Co., Ltd., (previously known as: Dongyuan County Dengia Town Yueyun Property Leasing Co., Ltd.) | 11,413,400.00 | 100.00 | Publicly listed for sale | 14 October 2022 | Transfer of control | 8,550,673.21 | - | - | - | - | N/A | N/A |
| Guangung Lihao Property Management Co., Ltd. | 4,680,000.00 | 100.00 | Publicly listed for sale | 8 December 2022 | Transfer of control | 3,836,080.59 | - | - | - | - | N/A | N/A |

5) Other reasons for changes in the scope of consolidation

Ten subsidiaries of the Group completed the industrial and commercial cancellation in 2022 and were no longer included in the scope of consolidation of the Group since then, including Zhaoqing Yueyun Travel Service Co., Ltd., Yangjiang City Yangzha New Image Public Transportation Company Limited, Zhongshan City Eastern Station Co., Ltd., Shaoguan City Guangshao Motor Transportation Co., Ltd., Raoping Yueyun Public Transportation Co., Ltd., Yangchun City's Third Motor Transportation Co., Ltd., Meizhou Jiangnan Vehicles Transportation Co., Ltd., Yangchun City Yueyun Langri City-Village Passenger Transportation Co., Ltd., Qingyuan Qingxin District Yueyun Public Transportation Co., Ltd. and Haifeng Yueyun Vehicles Transportation Co., Ltd. The operating results and cash flows of the above companies before the date of deregistration have been included in the Group's consolidated income statement and consolidated cash flow statement for the year.

4. ACCOUNTS RECEIVABLE

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

| Aging | 31 December 2022 RMB | 31 December 2021 RMB |
|---|-------------------------|-------------------------|
| Within 3 months (inclusive) | 256,831,824.96 | 255,866,780.91 |
| Over 3 months but within 6 months (inclusive) | 21,534,719.15 | 42,951,643.60 |
| Over 6 months but within 1 year (inclusive) | 63,892,660.67 | 41,151,890.58 |
| Over 1 year but within 2 years (inclusive) | 27,413,579.57 | 57,622,270.46 |
| Over 2 years but within 3 years (inclusive) | 33,147,374.06 | 10,412,048.07 |
| Over 3 years | 41,028,732.02 | 35,961,392.84 |
| Sub-total | 443,848,890.43 | 443,966,026.46 |
| Less: Provision for bad and doubtful debts | 76,758,971.75 | 65,375,082.49 |
| Total | 367,089,918.68 | 378,590,943.97 |

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

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

| Items | 31 December 2022 | | | | 31 December 2021 | | | | |
|--|------------------|-------------------|---------------|-------------------|------------------|-------------------|---------------|-------------------|----------------------|
| | Amount RMB | Percentage (%) | Amount RMB | Percentage (%) | Amount RMB | Percentage (%) | Amount RMB | Percentage (%) | Book value RMB |
| Provision for bad debts is made on an individual basis | 18,509,243.42 | 4.17 | 18,509,243.42 | 100.00 | 18,509,243.42 | 4.17 | 18,509,243.42 | 100.00 | - |
| Provision for bad debts is made on a collective basis | 425,339,647.01 | 95.83 | 58,249,728.33 | 13.69 | 425,456,783.04 | 95.83 | 46,865,839.07 | 11.02 | 378,590,943.97 |
| Including: | | | | | | | | | |
| Aging portfolio | 425,339,647.01 | 95.83 | 58,249,728.33 | 13.69 | 425,456,783.04 | 95.83 | 46,865,839.07 | 11.02 | 378,590,943.97 |
| Total | 443,848,890.43 | 100.00 | 76,758,971.75 | | 443,966,026.46 | 100.00 | 65,375,082.49 | | 378,590,943.97 |

Provision for bad debts is made on a individual basis:

| Items | 31 December 2022 | | | Reasons for accruing |
|---|----------------------|--|---------------------------|------------------------------|
| | Amount <i>RMB</i> | Provision for bad and doubtful debts <i>RMB</i> | Provision ratio (%) | |
| Shenzhen Hongbao Trading Co., Ltd. | 14,264,922.29 | 14,264,922.29 | 100.00 | Not expected to be recovered |
| Guangzhou Junfa Trading Co., Ltd. | 2,914,775.00 | 2,914,775.00 | 100.00 | Not expected to be recovered |
| Zhuhai Yuexinyuan Trade Development Co., Ltd. | 1,285,603.65 | 1,285,603.65 | 100.00 | Not expected to be recovered |
| Guangzhou Wen Hui Property Management Company Limited | 40,705.00 | 40,705.00 | 100.00 | Not expected to be recovered |
| Others | 3,237.48 | 3,237.48 | 100.00 | Not expected to be recovered |
| Total | <u>18,509,243.42</u> | <u>18,509,243.42</u> | | |

Provision for bad debts is made on a collective basis:

| Items | Amount RMB | 31 December 2022 | | Provision ratio(%) |
|--|----------------|---|--|-----------------------|
| | | Provision for bad and doubtful debts RMB | | |
| Aging portfolio | | | | |
| Road transportation and other service | | | | |
| Within 1 year (inclusive) | 263,454,098.12 | 13,172,704.91 | | 5.00 |
| Over 1 year but within 2 years (inclusive) | 26,346,383.91 | 9,221,234.43 | | 35.00 |
| Over 2 years but within 3 years (inclusive) | 6,971,980.60 | 3,485,990.39 | | 50.00 |
| Over 3 years | 18,420,922.67 | 18,420,922.67 | | 100.00 |
| Sub-total | 315,193,385.30 | 44,300,852.40 | | |
| Service zone operation | | | | |
| Within 1 year (inclusive) | 76,463,656.17 | 3,823,182.84 | | 5.00 |
| Over 1 year but within 2 years (inclusive) | 1,067,195.66 | 106,719.57 | | 10.00 |
| Over 2 years but within 3 years (inclusive) | 1,659,037.74 | 497,711.32 | | 30.00 |
| Over 3 years | 1,604,414.71 | 802,207.35 | | 50.00 |
| Sub-total | 80,794,304.28 | 5,229,821.08 | | |
| Constructions material supply | | | | |
| Within 1 year (inclusive) | 2,341,450.49 | 117,072.52 | | 5.00 |
| Over 1 year but within 2 years (inclusive) | – | – | | – |
| Over 2 years but within 3 years (inclusive) | 24,516,355.72 | 7,354,906.72 | | 30.00 |
| Over 3 years | 2,494,151.22 | 1,247,075.61 | | 50.00 |
| Sub-total | 29,351,957.43 | 8,719,054.85 | | |
| Total | 425,339,647.01 | 58,249,728.33 | | |

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

| Category | 31 December 2021 RMB | Charge into income statement RMB | Changes during the year | | | 31 December 2022 RMB |
|---|----------------------------|---|---------------------------------|---|------------------------------------|----------------------------|
| | | | Disposal/ Written-off RMB | Foreign currency translation differences RMB | Disposal of subsidiaries RMB | |
| Provision for bad debts is made on an individual basis | 18,509,243.42 | – | – | – | – | 18,509,243.42 |
| Provision for bad debts is made on a collective basis | 46,865,839.07 | 11,275,918.77 | 70,512.50 | 209,241.64 | 30,758.65 | 58,249,728.33 |
| Total | 65,375,082.49 | 11,275,918.77 | 70,512.50 | 209,241.64 | 30,758.65 | 76,758,971.75 |

5. INVESTMENT PROPERTIES

1) Investment properties using cost measurement model

| Items | Buildings RMB | Land use rights RMB | Total RMB |
|--|------------------|------------------------|----------------|
| 1. Cost | | | |
| (1) Balance as at 31 December 2021 | 161,542,689.35 | 29,893,851.89 | 191,436,541.24 |
| (2) Additions during the year | 128,505,625.29 | 1,229,015.81 | 129,734,641.10 |
| – Transfer from fixed assets | 128,230,134.99 | – | 128,230,134.99 |
| – Foreign currency financial statement translation differences | 275,490.30 | 1,229,015.81 | 1,504,506.11 |
| (3) Decrease during the year | 15,116,924.33 | 9,874,847.78 | 24,991,772.11 |
| – Disposal of a subsidiary | 15,116,924.33 | 9,874,847.78 | 24,991,772.11 |
| (4) Balance as at 31 December 2022 | 274,931,390.31 | 21,248,019.92 | 296,179,410.23 |
| 2. Accumulated depreciation or amortisation | | | |
| (1) Balance as at 31 December 2021 | 34,440,870.29 | 6,406,216.43 | 40,847,086.72 |
| (2) Additions during the year | 17,139,322.73 | 715,571.62 | 17,854,894.35 |
| – Accrual or amortization | 2,823,735.04 | 374,381.43 | 3,198,116.47 |
| – Transfer from fixed assets | 14,055,995.55 | – | 14,055,995.55 |
| – Foreign currency financial statement translation differences | 259,592.14 | 341,190.19 | 600,782.33 |
| (3) Decrease during the year | 13,040,808.37 | 1,731,094.59 | 14,771,902.96 |
| – Disposal of a subsidiary | 13,040,808.37 | 1,731,094.59 | 14,771,902.96 |
| (4) Balance as at 31 December 2022 | 38,539,384.65 | 5,390,693.46 | 43,930,078.11 |
| 3. Book value | | | |
| (1) As at 31 December 2022 | 236,392,005.66 | 15,857,326.46 | 252,249,332.12 |
| (2) As at 31 December 2021 | 127,101,819.06 | 23,487,635.46 | 150,589,454.52 |

Note: The remaining period of amortisation of land use rights is 27 to 60 years.

As at 31 December 2022 and 31 December 2021, no investment properties of the Group were pledged for loans.

6. FIXED ASSETS

1) Fixed assets and fixed assets liquidation

| Items | 31 December 2022 RMB | 31 December 2021 RMB |
|--------------------------|-------------------------|-------------------------|
| Fixed assets | 2,936,259,591.76 | 3,500,026,141.34 |
| Fixed assets liquidation | – | 212,304.63 |
| Total | 2,936,259,591.76 | 3,500,238,445.97 |

2) Fixed assets

| Items | Buildings and structures RMB | Buildings improvements RMB | Machinery and equipment RMB | Electronic equipment, office and others RMB | Transportation vehicles RMB | Total RMB |
|--|---------------------------------|-------------------------------|--------------------------------|--|--------------------------------|-------------------------|
| 1. Cost | | | | | | |
| (1) Balance as at 31 December 2021 | 2,137,767,915.22 | 270,862,025.94 | 137,667,156.76 | 415,495,440.41 | 3,786,999,319.49 | 6,748,791,857.82 |
| (2) Additions during the year | 62,044,345.90 | – | 7,296,113.46 | 17,212,677.09 | 73,258,254.82 | 159,811,391.27 |
| – Purchases | 7,473,838.52 | – | 7,039,505.07 | 15,366,941.01 | 46,865,864.09 | 76,746,148.69 |
| – Transfer from construction in progress | 51,246,895.94 | – | 159,515.00 | 1,215,828.53 | 7,361,887.63 | 59,984,127.10 |
| – Foreign currency financial statement translation differences | 3,323,611.44 | – | 97,093.39 | 629,907.55 | 19,030,503.10 | 23,081,115.48 |
| (3) Reductions during the year | 153,893,344.89 | 884,898.47 | 3,548,255.03 | 18,496,264.59 | 391,349,681.67 | 568,172,444.65 |
| – Disposals or discarding | 11,438,169.64 | 884,898.47 | 3,548,255.03 | 17,892,492.76 | 390,865,255.44 | 424,629,071.34 |
| – Transfer to investment properties | 128,230,134.99 | – | – | – | – | 128,230,134.99 |
| – Disposals of subsidiaries | 14,225,040.26 | – | – | 603,771.83 | 484,426.23 | 15,313,238.32 |
| (4) Balance as at 31 December 2022 | <u>2,045,918,916.23</u> | <u>269,977,127.47</u> | <u>141,415,015.19</u> | <u>414,211,852.91</u> | <u>3,468,907,892.64</u> | <u>6,340,430,804.44</u> |
| 2. Accumulated depreciation | | | | | | |
| (1) Balance as at 31 December 2021 | 590,071,948.56 | 160,519,050.81 | 65,804,132.10 | 275,371,677.83 | 2,152,823,790.15 | 3,244,590,599.45 |
| (2) Additions during the year | 90,683,433.77 | 21,821,381.82 | 11,698,748.84 | 20,228,500.60 | 416,515,209.72 | 560,947,274.75 |
| – Accruals | 88,892,139.85 | 21,821,381.82 | 11,603,555.83 | 19,878,691.47 | 399,802,407.11 | 541,998,176.08 |
| – Foreign currency financial statement translation differences | 1,791,293.92 | – | 95,193.01 | 349,809.13 | 16,712,802.61 | 18,949,098.67 |
| (3) Reductions during the year | 27,388,783.05 | 884,898.47 | 1,910,428.63 | 16,193,694.38 | 359,163,974.02 | 405,541,778.55 |
| – Disposal or discarding | 4,579,760.43 | 884,898.47 | 1,910,428.63 | 15,745,466.16 | 358,795,007.52 | 381,915,561.21 |
| – Transfer to investment properties | 14,055,995.55 | – | – | – | – | 14,055,995.55 |
| – Disposals of subsidiaries | 8,753,027.07 | – | – | 448,228.22 | 368,966.50 | 9,570,221.79 |
| (4) Balance as at 31 December 2022 | <u>653,366,599.28</u> | <u>181,455,534.16</u> | <u>75,592,452.31</u> | <u>279,406,484.05</u> | <u>2,210,175,025.85</u> | <u>3,399,996,095.65</u> |
| 3. Provision of impairment | | | | | | |
| (1) Balance as at 31 December 2021 | – | – | – | – | 4,175,117.03 | 4,175,117.03 |
| (2) Balance as at 31 December 2022 | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>4,175,117.03</u> | <u>4,175,117.03</u> |
| 4. Book value | | | | | | |
| (1) Book value as at 31 December 2022 | <u>1,392,552,316.95</u> | <u>88,521,593.31</u> | <u>65,822,562.88</u> | <u>134,805,368.86</u> | <u>1,254,557,749.76</u> | <u>2,936,259,591.76</u> |
| (2) Book value as at 31 December 2021 | <u>1,547,695,966.66</u> | <u>110,342,975.13</u> | <u>71,863,024.66</u> | <u>140,123,762.58</u> | <u>1,630,000,412.31</u> | <u>3,500,026,141.34</u> |

Note: As at 31 December 2022, fixed assets of the Group with carrying amount of RMB194,940,126.19 (31 December 2021: RMB317,488,454.17) were pledged for bank loans, among which, RMB173,938,669.96 (31 December 2021: RMB295,746,756.11) were pledged for long-term loans, RMB21,001,456.23 (31 December 2021: RMB21,741,698.06) were pledged for short-term loans and RMB65,866,878.62 (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 31 December 2022, the book value of such buildings and structures was RMB83,312,761.26 (31 December 2021: RMB200,737,595.43).

4) Fixed assets liquidation

| Items | 31 December 2022 RMB | 31 December 2021 RMB |
|-------------------------|-------------------------|-------------------------|
| Transportation vehicles | — | 212,304.63 |
| Total | <u>—</u> | <u>212,304.63</u> |

7. RIGHT-OF-USE ASSETS

| Items | Buildings and structures RMB | Lease of land RMB | Transportation vehicles RMB | Total RMB |
|--|------------------------------------|----------------------|-----------------------------------|-------------------------|
| 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 year | 188,193,720.27 | 5,090,478.99 | 736,040.94 | 194,020,240.20 |
| – Additions of lease | 187,250,530.56 | 5,090,478.99 | 736,040.94 | 193,077,050.49 |
| – Foreign currency financial statement translation differences | 943,189.71 | — | — | 943,189.71 |
| (3) Reduction during the year | 86,615,378.72 | 9,926,462.78 | 40,196,588.50 | 136,738,430.00 |
| – Disposal | <u>86,615,378.72</u> | <u>9,926,462.78</u> | <u>40,196,588.50</u> | <u>136,738,430.00</u> |
| (4) Balance as at 31 December 2022 | <u>2,741,532,267.22</u> | <u>97,405,028.53</u> | <u>620,469,443.20</u> | <u>3,459,406,738.95</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 year | 178,618,638.68 | 6,592,426.48 | 72,614,367.50 | 257,825,432.66 |
| – Accrual | 177,991,130.32 | 6,592,426.48 | 72,614,367.50 | 257,197,924.30 |
| – Foreign currency financial statement translation differences | 627,508.36 | — | — | 627,508.36 |
| (3) Reduction during the year | 37,695,994.43 | 9,926,462.78 | 12,397,791.21 | 60,020,248.42 |
| – Disposal | <u>37,695,994.43</u> | <u>9,926,462.78</u> | <u>12,397,791.21</u> | <u>60,020,248.42</u> |
| (4) Balance as at 31 December 2022 | <u>1,100,495,122.26</u> | <u>36,362,742.18</u> | <u>348,504,946.72</u> | <u>1,485,362,811.16</u> |
| 3. Book value | | | | |
| (1) Book value as at 31 December 2022 | <u>1,641,037,144.96</u> | <u>61,042,286.35</u> | <u>271,964,496.48</u> | <u>1,974,043,927.79</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 31 December 2022, transportation vehicles with carrying amount of RMB265,509,976.62 were pledged for lease (31 December 2021: RMB366,181,756.83).

8. INTANGIBLE ASSETS

1) Details of intangible assets

| Items | Land use rights <i>RMB</i> | Computer software <i>RMB</i> | Passenger service licenses <i>RMB</i> | Station and toll bridge franchise operating rights <i>RMB</i> | Line license use rights and route operation rights <i>RMB</i> | Trademark rights and others <i>RMB</i> | Total <i>RMB</i> |
|--|----------------------------------|------------------------------------|--|--|--|---|-------------------------|
| 1. Cost | | | | | | | |
| (1) Balance as at 31 December 2021 | 821,062,738.04 | 101,767,340.58 | 35,829,161.53 | 387,478,456.26 | 317,927,861.19 | 4,321,958.72 | 1,668,387,516.32 |
| (2) Additions during the year | 3,271,034.10 | 4,891,351.72 | 3,317,352.66 | - | 123,582.00 | 540,575.19 | 12,143,895.67 |
| - Purchases | - | 4,626,272.47 | - | - | 123,582.00 | 540,575.19 | 5,290,429.66 |
| - Foreign currency financial statement translation differences | 3,271,034.10 | - | 3,317,352.66 | - | - | - | 6,588,386.76 |
| - Transfer from construction in progress | - | 265,079.25 | - | - | - | - | 265,079.25 |
| (3) Reductions during the year | 20,498,027.79 | 563,076.66 | - | - | 1,795,464.00 | 188,679.24 | 23,045,247.69 |
| - Disposal | 15,223,176.00 | 563,076.66 | - | - | 1,795,464.00 | 188,679.24 | 17,770,395.90 |
| - Disposals of subsidiaries | 5,274,851.79 | - | - | - | - | - | 5,274,851.79 |
| (4) Balance as at 31 December 2022 | <u>803,835,744.35</u> | <u>106,095,615.64</u> | <u>39,146,514.19</u> | <u>387,478,456.26</u> | <u>316,255,979.19</u> | <u>4,673,854.67</u> | <u>1,657,486,164.30</u> |
| 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 year | 18,446,461.06 | 12,529,347.98 | - | 11,315,635.18 | 22,686,723.94 | 332,674.08 | 65,310,842.24 |
| - Accrual | 17,033,059.19 | 12,529,347.98 | - | 11,315,635.18 | 22,686,723.94 | 332,674.08 | 63,897,440.37 |
| - Foreign currency financial statement translation differences | 1,413,401.87 | - | - | - | - | - | 1,413,401.87 |
| (3) Reductions during the year | 10,133,275.66 | 563,076.66 | - | - | 1,795,464.00 | 50,314.56 | 12,542,130.88 |
| - Disposal | 6,550,948.41 | 563,076.66 | - | - | 1,795,464.00 | 50,314.56 | 8,959,803.63 |
| - Disposals of subsidiaries | 3,582,327.25 | - | - | - | - | - | 3,582,327.25 |
| (4) Balance as at 31 December 2022 | <u>186,975,078.33</u> | <u>69,696,304.19</u> | <u>-</u> | <u>302,065,799.33</u> | <u>217,114,522.96</u> | <u>2,291,104.17</u> | <u>778,142,808.98</u> |
| 3. Provision of impairment | | | | | | | |
| (1) Balance as at 31 December 2021 | - | - | - | - | - | - | - |
| (2) Additions during the year | 2,956,979.57 | - | - | - | - | - | 2,956,979.57 |
| - Accrual | 2,956,979.57 | - | - | - | - | - | 2,956,979.57 |
| (3) Balance as at 31 December 2022 | <u>2,956,979.57</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,956,979.57</u> |
| 4. Book value | | | | | | | |
| (1) As at 31 December 2022 | <u>613,903,686.45</u> | <u>36,399,311.45</u> | <u>39,146,514.19</u> | <u>85,412,656.93</u> | <u>99,141,456.23</u> | <u>2,382,750.50</u> | <u>876,386,375.75</u> |
| (2) As at 31 December 2021 | <u>642,400,845.11</u> | <u>44,037,307.71</u> | <u>35,829,161.53</u> | <u>96,728,292.11</u> | <u>121,704,598.17</u> | <u>2,313,214.07</u> | <u>943,013,418.70</u> |

- (1): As at 31 December 2022, land use rights with carrying amount of RMB115,879,308.27 (31 December 2021: RMB138,119,749.90) were pledged for bank loans, among which, RMB80,607,440.30 (31 December 2021: RMB95,210,187.94) were pledged for long-term loans, RMB35,271,867.97 (31 December 2021: RMB42,909,561.96) were pledged for short-term loans. As at 31 December 2022, land use rights with carrying amount of RMB1,025,674.00 (31 December 2021: RMB1,025,674.00) were pledged for long-term payables. As at 31 December 2022, there were no other restriction on the intangible assets of the Group.
- (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, Yangjiang and Meizhou etc. have not yet obtained the certificates of ownership. As at 31 December 2022, the carrying amount of land use rights without certificate of the title for the Group was RMB7,130,970.79 (31 December 2021: RMB7,299,497.59).
- (3): As at 31 December 2022, land use rights with carrying amount of RMB90,817,804.81 (31 December 2021: RMB93,924,478.99) were obtained through allocation.

9. SHORT-TERM LOANS

1) Classification of short-term loans

| Items | Notes | 31 December 2022 RMB | 31 December 2021 RMB |
|---|-------|-------------------------|-------------------------|
| Pledged loan | (2) | 6,000,000.00 | – |
| Including: Guangdong Provincial Communication Group Finance Company Limited ("GCG Finance") | | 6,000,000.00 | – |
| Loans secured by mortgages | (3) | 145,391,927.90 | 176,216,071.36 |
| Pledged and mortgaged loans | | – | 5,000,000.00 |
| Unsecured loans | | 598,645,899.68 | 574,685,287.39 |
| Including: Loans from banks | | 598,645,899.68 | 374,685,287.39 |
| GCG Finance | | – | 200,000,000.00 |
| Total | | <u>750,037,827.58</u> | <u>755,901,358.75</u> |

- (1): As at 31 December 2022, the Group's short-term loans were borrowings from banks or GCG Finance within 1 year, which bear interest rates ranging from 1.90%-6.50% per annum (31 December 2021: 1.90%-6.50%).
- (2): As at 31 December 2022, 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.
- (3): For the details of assets mortgaged for secured loans as at 31 December 2022, please refer to Notes 6 and 8.

2) Overdue short-term loans

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

10. ACCOUNTS PAYABLE

1) The nature analysis of accounts payable is as follows

| Items | 31 December 2022 RMB | 31 December 2021 RMB |
|--|-------------------------|-------------------------|
| Materials payable | 63,388,211.64 | 106,326,212.74 |
| Transportation fee payable | 81,646,846.89 | 99,719,661.91 |
| Contract payments for cars | 48,321,086.82 | 80,716,054.74 |
| Progress payments for constructions | 196,848,679.09 | 209,517,502.02 |
| Expressway service zones contracts fee payable | 76,835,881.23 | 60,658,167.60 |
| Fuel expenses payable | 33,098,168.30 | 26,580,236.10 |
| Service fees payable | 11,360,390.54 | 13,039,798.66 |
| Others | 59,713,498.71 | 51,770,631.55 |
| Total | <u>571,212,763.22</u> | <u>648,328,265.32</u> |

2) The aging analysis of accounts payable based on the transaction dates is as follows

| Items | 31 December 2022 RMB | 31 December 2021 RMB |
|---|-------------------------|-------------------------|
| Within 1 year (inclusive) | 237,642,101.34 | 506,796,666.07 |
| Over 1 year but within 2 years (inclusive) | 240,192,870.10 | 65,874,406.97 |
| Over 2 years but within 3 years (inclusive) | 46,313,948.41 | 17,523,935.48 |
| Over 3 years | 47,063,843.37 | 58,133,256.80 |
| Total | <u>571,212,763.22</u> | <u>648,328,265.32</u> |

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

| Items | 31 December 2022 | Nature and reasons for unsettlement |
|---|----------------------|--|
| Guangxi Construction First Construction Engineering Group Co., Ltd. | 38,276,477.81 | Construction fee unsettled |
| Maoming Dianbai Eryun Transportation Co., Ltd. | 18,600,294.00 | Contract payments for cars undue |
| Guangdong Wuhua Erjian Engineering Co., Ltd. | <u>16,126,072.64</u> | Construction fee unsettled |
| Total | <u>73,002,844.45</u> | |

11. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

| Items | Notes | 31 December 2022 RMB | 31 December 2021 RMB |
|---|-------|-------------------------|-------------------------|
| Long-term loans due within one year | 12 | 696,131,202.58 | 263,059,210.18 |
| Bonds payable due within one year | 13 | – | 390,873,016.30 |
| Long-term payables due within one year | | 76,849,834.31 | 70,561,326.27 |
| Lease liabilities due within one year | 14 | 254,994,878.92 | 285,406,463.39 |
| Bond interest payable due within one year | | – | 4,108,713.00 |
| Total | | 1,027,975,915.81 | 1,014,008,729.14 |

12. LONG-TERM LOANS

| Items | Notes | 31 December 2022 RMB | 31 December 2021 RMB |
|---|-------|-------------------------|-------------------------|
| Unsecured loans | | 824,447,656.20 | 1,003,241,356.69 |
| Including: Loans from banks | | 721,633,384.24 | 871,623,254.73 |
| Loans from GCG Finance | | 102,814,271.96 | 131,618,101.96 |
| Loans secured by mortgages | (2) | 204,381,166.77 | 140,349,660.01 |
| Pledged loans | (3) | 17,519,864.49 | 35,830,404.99 |
| Mortgaged and guaranteed loans | (4) | 98,750,875.82 | 167,876,152.01 |
| Pledged and mortgaged loans | (5) | 10,132,429.95 | 11,000,000.00 |
| Pledged, mortgaged and guaranteed loans | (6) | 30,093,316.94 | 41,200,000.00 |
| Total | | 1,185,325,310.17 | 1,399,497,573.70 |
| Less: Long-term loans due within one year | | | |
| Including: Unsecured loans | | 537,501,656.20 | 104,410,379.16 |
| Loans secured by mortgages | | 78,892,007.61 | 45,245,247.36 |
| Pledged loans | | 5,519,864.49 | 14,630,404.99 |
| Mortgaged and guaranteed loans | | 33,991,927.39 | 77,773,178.67 |
| Pledged and mortgaged loans | | 10,132,429.95 | 3,000,000.00 |
| Pledged, mortgaged and guaranteed loans | | 30,093,316.94 | 18,000,000.00 |
| Sub-total (Note 11) | | 696,131,202.58 | 263,059,210.18 |
| Long-term loans due after 1 year | | 489,194,107.59 | 1,136,438,363.52 |

| Items | 31 December 2022 RMB | 31 December 2021 RMB |
|--|---------------------------------------|--------------------------------|
| Including: After 1 year but within 2 years | 68,522,570.79 | 437,929,765.08 |
| After 2 years but within 5 years | 352,574,383.72 | 568,300,678.44 |
| After 5 years | 68,097,153.08 | 130,207,920.00 |

- (1): As at 31 December 2022, all the Group's long-term loans were from banks and GCG Finance with interest rates ranging from 3.00% – 5.30% per annum (31 December 2021: 3.65% – 4.90%).
- (2): For the details of assets mortgaged for secured loans as at 31 December 2022, please refer to Notes 6 and 8.
- (3): As at 31 December 2022, pledged loans held by the Group include the loans borrowed by Qingyuan Yueyun Vehicles Transportation Co., Ltd. with RMB200,000.00 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.
- (4): As at 31 December 2022, mortgaged and guaranteed loans held by the Group include the loans borrowed by the subsidiaries: Heyuan City 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.
- (5): As at 31 December 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.
- (6): As at 31 December 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.
- (7): As at 31 December 2022, there was no overdue borrowing by the Group (31 December 2021: nil).

13. BONDS PAYABLE

1) Details of bonds payable

| Item | 31 December 2022 RMB | 31 December 2021 RMB |
|-----------------------------------|-------------------------|-------------------------|
| 2014 corporate bond (first phase) | — | — |
| Total | <u>—</u> | <u>—</u> |

2) Changes in bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

| Item | Issue amount | Issue date | Periods | 31 December 2021 | Amortisation for the year | Repayment for this year | 31 December 2022 |
|-----------------------------------|-----------------------|------------|---------|-----------------------|------------------------------|----------------------------|---------------------|
| 2014 corporate bond (first phase) | <u>400,000,000.00</u> | 28/09/2015 | 7 years | <u>394,981,729.30</u> | <u>432,983.70</u> | <u>395,414,713.00</u> | — |
| Total | <u>400,000,000.00</u> | | | <u>394,981,729.30</u> | <u>432,983.70</u> | <u>395,414,713.00</u> | <u>—</u> |

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 its bond rate and the investors will be entitled to request the Company to redeem the bonds after five years of the issue date. On 28 September 2020, the Company redeemed the bonds with the amount of RMB8,694,000.00 of bond principal without adjusting the coupon rate. As of 28 September 2022, the Company had repaid all the principal amount and interest.

14. LEASE LIABILITIES

| Items | 31 December 2022 RMB | 31 December 2021 RMB |
|--|--------------------------------|-------------------------|
| Lease liabilities | 2,101,521,859.07 | 2,345,172,966.06 |
| Less: lease liabilities due within one year (<i>Note 11</i>) | <u>254,994,878.92</u> | <u>285,406,463.39</u> |
| Total | <u>1,846,526,980.15</u> | <u>2,059,766,502.67</u> |

15. RETAINED EARNINGS

| Items | 2022 RMB | 2021 RMB |
|--|-----------------------|-----------------------|
| Retained earnings at the end of the previous year | 816,260,050.18 | 1,052,303,964.69 |
| Business combination under common control | – | (137,685.46) |
| Retained earnings at the beginning of the year | 816,260,050.18 | 1,052,166,279.23 |
| Add: Net loss for the year attributable to the shareholders of the Company | (150,423,379.26) | (220,312,135.39) |
| Less: Appropriation for statutory surplus reserve | 19,557,470.35 | 15,594,093.66 |
| Retained earnings at the end of the year | <u>646,279,200.57</u> | <u>816,260,050.18</u> |

Note: In 2022, no dividend was declared by the Company (2021: no dividend was declared).

16. FINANCIAL EXPENSES

| Items | 2022 RMB | 2021 RMB |
|--|-----------------------|-----------------------|
| Interest expenses from loans, bonds and payables | 106,867,820.87 | 109,721,948.27 |
| Less: Borrowing costs capitalised | – | 692,888.89 |
| Net interest expenses | 106,867,820.87 | 109,029,059.38 |
| Less: Interest income | 15,110,061.45 | 18,184,879.17 |
| Exchange gains | (2,347,888.30) | (1,243,150.30) |
| Amortisation of unrecognized financing charges | 6,327,615.28 | 7,086,911.16 |
| Interest expenses from lease liabilities | 111,402,430.97 | 118,511,409.37 |
| Others | 11,534,126.40 | 13,276,799.62 |
| Total | <u>218,674,043.77</u> | <u>228,476,150.06</u> |

17. OTHER INCOME

| Items | 2022 RMB | 2021 RMB |
|-------------------------------------|-----------------------|-----------------------|
| Government grants related to assets | 99,016,442.47 | 80,116,021.17 |
| Government grants related to income | 327,735,274.08 | 212,784,575.01 |
| VAT reduction and exemption, etc | 51,467,938.56 | 29,441,461.35 |
| Total | <u>478,219,655.11</u> | <u>322,342,057.53</u> |

Government grants included in other income

| Items | 2022 RMB | 2021 RMB | Related to assets/Related to income |
|--|-----------------------|-----------------------|---|
| Subsidies for vehicles replacement | 6,695,665.62 | 1,797,253.50 | Related to assets |
| Subsidies for procurement of new energy vehicles | 79,739,212.52 | 65,445,004.36 | Related to assets |
| Subsidies for fixed asset renovation | 8,313,725.30 | 8,769,280.49 | Related to assets |
| Tax subsidies for vehicle purchase | 425,531.88 | 412,765.91 | Related to assets |
| Other subsidies related to assets | 3,842,307.15 | 3,691,716.91 | Related to assets |
| Subsidy for operation of bus line | 233,223,174.03 | 151,707,956.53 | Related to income |
| Subsidies of elderly concessionary travel card | 46,141,049.07 | 32,919,246.51 | Related to income |
| Others subsidies related to income | 48,371,050.98 | 28,157,371.97 | Related to income |
| Total | <u>426,751,716.55</u> | <u>292,900,596.18</u> | |

18. INVESTMENT INCOME

| Items | 2022 RMB | 2021 RMB |
|---|-----------------------|-----------------------|
| Income from long-term equity investments under equity method | (11,543,318.18) | (6,270,385.62) |
| Dividend income earned during holding period of investment in other equity instruments | 100,000.00 | — |
| Gains on disposal of subsidiaries (Notes 3.4) | 238,579,622.32 | — |
| Others (Note (2)) | 8,904,433.69 | (1,108,220.52) |
| Total | <u>236,040,737.83</u> | <u>(7,378,606.14)</u> |

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

(2): The investment income in this year is mainly the gain from the disposal of 20% equity of Xinyun oil station held by Heyuan City Yueyun Motor Transportation Co., Ltd., a subsidiary of the Company.

19. ACCRUAL OF CREDIT LOSSES

| Items | 2022 RMB | 2021 RMB |
|---------------------|-----------------------|-----------------------|
| Accounts receivable | (11,275,918.77) | (5,617,451.67) |
| Other receivables | 2,945,603.04 | 1,572,886.63 |
| Total | <u>(8,330,315.73)</u> | <u>(4,044,565.04)</u> |

20. IMPAIRMENT LOSSES

| Items | 2022 RMB | 2021 RMB |
|--------------------------------------|-------------------------------|-------------------------------|
| Impairment loss of intangible assets | (2,956,979.57) | – |
| Impairment loss of goodwill | <u>(46,813,160.03)</u> | <u>(19,516,537.14)</u> |
| Total | <u><u>(49,770,139.60)</u></u> | <u><u>(19,516,537.14)</u></u> |

21. GAINS FROM ASSET DISPOSALS

| Items | 2022 RMB | 2021 RMB |
|---|-----------------------------|----------------------------|
| Gains from disposal of fixed assets | 10,801,390.51 | (6,162,453.15) |
| Gains from disposal of other non-current assets | 8,851,564.81 | 3,596,388.62 |
| Gains from disposal of right-of-use assets | <u>6,859,044.92</u> | <u>7,910,399.75</u> |
| Total | <u><u>26,512,000.24</u></u> | <u><u>5,344,335.22</u></u> |

22. NON-OPERATING INCOME

| Items | 2022 RMB | 2021 RMB |
|---|-----------------------------|-----------------------------|
| Gains on disposal of non-current assets | 3,641,496.29 | 4,993,511.47 |
| Government grants | 8,380,660.53 | 2,977,228.07 |
| Compensations | 5,506,258.27 | 1,548,087.05 |
| Others | <u>13,452,103.06</u> | <u>7,079,505.17</u> |
| Total | <u><u>30,980,518.15</u></u> | <u><u>16,598,331.76</u></u> |

Government grants included in non-operating income

| Items | 2022 RMB | 2021 RMB | Related to assets/Related to income |
|----------------------------------|----------------------------|----------------------------|--|
| COVID-19 related subsidies | 4,502,553.00 | – | Related to income |
| Subsidies for vehicles disposals | 228,000.00 | – | Related to income |
| Other subsidies | <u>3,650,107.53</u> | <u>2,977,228.07</u> | Related to income |
| Total | <u><u>8,380,660.53</u></u> | <u><u>2,977,228.07</u></u> | |

23. NON-OPERATING EXPENSES

| Items | 2022 RMB | 2021 RMB |
|--|---------------------------|---------------------------|
| Donations | 500.00 | 3,000.00 |
| Losses on disposal of non-current assets | 2,396,310.63 | 7,713,605.97 |
| Road accidents losses | 3,566,681.11 | 3,861,652.79 |
| Penalty expenses | 1,067,347.78 | 801,787.51 |
| Others | 5,637,348.69 | 2,038,646.71 |
| Total | <u>12,668,188.21</u> | <u>14,418,692.98</u> |

24. INCOME TAX EXPENSES

1) Income tax expenses

| Items | 2022 RMB | 2021 RMB |
|-----------------------------|---------------------------|---------------------------|
| Current income tax expense | 57,088,238.48 | 81,796,761.30 |
| Deferred income tax expense | 133,862,188.66 | (329,676.51) |
| Total | <u>190,950,427.14</u> | <u>81,467,084.79</u> |

2) Reconciliation of income tax expenses to accounting profit is as follows

| Items | 2022 RMB |
|--|---------------------------|
| Profit before taxation | (18,030,355.31) |
| Income tax expense calculated at tax rate of 25% | (4,507,588.83) |
| Effect of different tax rates applied by certain subsidiaries | 3,881,622.02 |
| Adjustments of tax filing differences | 8,514,725.94 |
| Effect of non-taxable income | (6,179,533.59) |
| Effect of non-deductible expenses | 11,382,125.76 |
| Effect of utilisation of deductible tax losses of unrecognised deferred tax assets in previous years | (843,116.83) |
| Effect of unrecognised deductible temporary differences or tax losses | 178,702,192.67 |
| Income tax expenses | <u>190,950,427.14</u> |

25. 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 | 2022 <i>RMB</i> | 2021 <i>RMB</i> |
|--|--------------------|--------------------|
| Consolidated net loss attributable to ordinary shareholders of the Company | (150,423,379.26) | (220,312,135.39) |
| Weighted average number of ordinary shares outstanding | 799,847,800.00 | 799,847,800.00 |
| Basic earnings per share (RMB/share) | (0.19) | (0.28) |
| Including: Basic earnings per share from continuing operations (RMB/share) | <u>(0.19)</u> | <u>(0.28)</u> |

Weighted average number of ordinary shares is calculated as follows:

| Items | 2022 <i>Number of shares</i> | 2021 <i>Number of shares</i> |
|---|---------------------------------|---------------------------------|
| Issued ordinary shares at the beginning and the end of the year | <u>799,847,800.00</u> | <u>799,847,800.00</u> |
| Weighted average number of ordinary shares at the end of the year | <u>799,847,800.00</u> | <u>799,847,800.00</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.

26. GOVERNMENT GRANTS

1) Government grants related to assets

| Items | Amount <i>RMB</i> | Balance sheet presentation items | The amount included in the current profit and loss or offsetting the related costs and expenses | | Items included in the current profit and loss or offsetting the related costs and expenses |
|--|----------------------|-------------------------------------|---|---------------------|---|
| | | | 2022 <i>RMB</i> | 2021 <i>RMB</i> | |
| Subsidies for vehicles replacement | 549,029.62 | Deferred income | 6,695,665.62 | 1,797,253.50 | Other income |
| Subsidies for procurement of new energy vehicles | 146,531,146.57 | Deferred income | 79,739,212.52 | 65,445,004.36 | Other income |
| Subsidies for fixed assets renovation | 107,133,791.22 | Deferred income | 8,313,725.30 | 8,769,280.49 | Other income |
| Tax subsidies for vehicles purchase | 11,599,749.84 | Deferred income | 425,531.88 | 412,765.91 | Other income |
| Software development subsidies | - | Deferred income | 300,000.00 | - | Other income |
| Other subsidies related to assets | 11,533,461.24 | Deferred income | <u>3,542,307.15</u> | <u>3,691,716.91</u> | Other income |

2) **Government grants related to income**

| Items | The amount included in the current profit and loss or offsetting the related costs and expenses | | Items included in the current profit and loss or offsetting the related costs and expenses |
|---|---|----------------------------|---|
| | 2022 | 2021 | |
| | <i>RMB</i> | <i>RMB</i> | |
| Fuel subsidies | 136,770,453.38 | 95,630,314.94 | Operating costs |
| Subsidies for operation of bus lines | 233,223,174.03 | 151,707,956.53 | Other income |
| Subsidies of elderly concessionary travel card | 46,141,049.07 | 32,919,246.51 | Other income |
| Other subsidies | 48,371,050.98 | 28,157,371.97 | Other income |
| Subsidies for vehicles disposals | 228,000.00 | – | Non-operating income |
| COVID-19 related subsidies | 4,502,553.00 | – | Non-operating income |
| Other subsidies | 3,650,107.53 | 2,977,228.07 | Non-operating income |
| | <u>3,650,107.53</u> | <u>2,977,228.07</u> | |

27. **NET CURRENT LIABILITIES**

| Items | 31 December 2022 <i>RMB</i> | 31 December 2021 <i>RMB</i> |
|---------------------------|----------------------------------|----------------------------------|
| Current assets | 2,255,805,874.44 | 2,493,614,296.57 |
| Less: Current liabilities | 3,566,728,571.70 | 3,634,740,659.11 |
| Net current liabilities | <u>(1,310,922,697.26)</u> | <u>(1,141,126,362.54)</u> |

28. **TOTAL ASSETS LESS CURRENT LIABILITIES**

| Items | 31 December 2022 <i>RMB</i> | 31 December 2021 <i>RMB</i> |
|---------------------------------------|--------------------------------|--------------------------------|
| Total assets | 9,215,602,097.18 | 10,554,448,679.05 |
| Less: Current liabilities | 3,566,728,571.70 | 3,634,740,659.11 |
| Total assets less current liabilities | <u>5,648,873,525.48</u> | <u>6,919,708,019.94</u> |

29. LEASE

1) As a lessee

| Items | 2022 RMB |
|--|-----------------------|
| Interest expense on lease liabilities | 111,402,430.97 |
| Short-term lease expenses applied the practical expedient | 32,744,333.49 |
| Variable lease payments not included in the measurement of lease liabilities | 15,515,955.13 |
| Income from sub-leasing right-of-use assets | 415,473,545.25 |
| Total cash outflow for leases | <u>363,332,362.31</u> |

2) As a lessor

(1) Operating lease

| Items | 2022 RMB |
|--|----------------------|
| Lease income | 475,822,597.86 |
| Including: income related to variable lease payments not included in lease receipts | <u>15,044,587.94</u> |

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

| Remaining lease term | Undiscounted lease receipts |
|---------------------------------|--------------------------------|
| Within 1 year | 499,228,213.13 |
| Over 1 year but within 2 years | 434,807,938.41 |
| Over 2 years but within 3 years | 381,022,042.50 |
| Over 3 years but within 4 years | 330,936,971.07 |
| Over 4 years but within 5 years | 285,414,849.69 |
| Over 5 years | <u>1,396,665,902.35</u> |
| Total | <u>3,328,075,917.15</u> |

3) Effect of implementing the accounting treatment requirements for rental concessions related to the COVID-19 epidemic

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

For lease payments payable before 30 June 2022, the Group, as the lessee, adopted the above simplified method to account for the relevant rental concessions to offset the current year's operating costs of RMB18,264,813.59 (previous year: nil).

30. 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

2022

| Items | Expressway service zones operation | Road passenger transportation and auxiliary | Other business | Inter-segment eliminations | Total |
|---|------------------------------------|---|------------------|----------------------------|------------------|
| Operating income | 3,789,508,305.11 | 1,918,636,459.49 | 127,396,014.16 | (16,013,150.10) | 5,819,527,628.66 |
| Including: Operating income from external customers | 3,788,823,173.63 | 1,916,268,691.29 | 114,435,763.74 | - | 5,819,527,628.66 |
| Inter-segment operating income | 685,131.48 | 2,367,768.20 | 12,960,250.42 | (16,013,150.10) | - |
| Operating costs | 3,440,436,703.33 | 2,156,881,950.37 | 43,266,272.40 | (2,628,292.26) | 5,637,956,633.84 |
| Income from investments in associates and joint ventures | 1,895,836.79 | (13,439,154.97) | - | - | (11,543,318.18) |
| Credit impairment loss | (2,829,639.29) | (4,000,384.41) | (1,500,292.03) | - | (8,330,315.73) |
| Impairment losses on assets | - | (49,770,139.60) | - | - | (49,770,139.60) |
| Depreciation and amortisation | 292,838,369.02 | 621,085,812.72 | 24,013,996.70 | 326,695.36 | 938,264,873.80 |
| Profit/(Loss) before income tax | 116,192,555.25 | (463,762,894.27) | 336,187,446.36 | (6,647,462.65) | (18,030,355.31) |
| Income tax expenses | 31,818,020.38 | 20,249,272.47 | 138,883,134.29 | - | 190,950,427.14 |
| Net profit/(loss) | 84,374,534.87 | (484,012,166.74) | 197,304,312.07 | (6,647,462.65) | (208,980,782.45) |
| Total assets | 3,780,943,792.48 | 5,223,092,158.11 | 2,729,065,849.25 | (2,517,499,702.66) | 9,215,602,097.18 |
| Total liabilities | 3,018,093,480.45 | 3,501,186,730.88 | 944,532,167.96 | (729,965,758.30) | 6,733,846,620.99 |
| Other important non-cash items: | | | | | |
| - Long-term equity investments in associates and joint ventures | 40,589,668.88 | 214,759,547.88 | 75,614,671.61 | - | 330,963,888.37 |
| - The amounts of increase/ (decrease) of non-current assets other than long-term equity investments | (164,515,904.38) | (741,084,606.19) | (38,416,882.88) | (19,977,054.67) | (963,994,448.12) |

2021

| Items | Expressway service zones operation | Road passenger transportation and auxiliary | Other business | Inter-segment eliminations | Total |
|---|------------------------------------|---|------------------|----------------------------|-------------------|
| Operating income | 3,726,724,941.18 | 2,349,439,970.88 | 206,086,380.59 | (11,114,656.80) | 6,271,136,635.85 |
| Including: Operating income from external customers | 3,726,306,933.17 | 2,346,180,420.31 | 198,649,282.37 | – | 6,271,136,635.85 |
| Inter-segment operating income | 418,008.01 | 3,259,550.57 | 7,437,098.22 | (11,114,656.80) | – |
| Operating costs | 3,245,771,181.67 | 2,521,628,882.33 | 99,491,140.25 | (3,340,644.83) | 5,863,550,559.42 |
| Income from investments in associates and joint ventures | 1,140,920.00 | (28,191,004.70) | 20,779,699.08 | – | (6,270,385.62) |
| Credit impairment loss | 26,778.33 | (1,779,650.94) | (2,291,692.43) | – | (4,044,565.04) |
| Impairment losses on assets | – | (19,516,537.14) | – | – | (19,516,537.14) |
| Depreciation and amortisation | 261,728,482.46 | 682,470,249.11 | 17,610,504.47 | (1,752,231.50) | 960,057,004.54 |
| Profit/(Loss) before income tax | 256,317,443.54 | (657,744,118.77) | 156,596,862.49 | 2,955,508.63 | (241,874,304.11) |
| Income tax expenses | 64,858,846.51 | 17,115,383.03 | (507,144.75) | – | 81,467,084.79 |
| Net profit/(loss) | 191,458,597.03 | (674,859,501.80) | 157,104,007.24 | 2,955,508.63 | (323,341,388.90) |
| Total assets | 3,857,110,203.81 | 6,076,698,757.04 | 3,066,429,612.04 | (2,445,789,893.84) | 10,554,448,679.05 |
| Total liabilities | 3,053,338,924.27 | 3,993,886,193.44 | 1,467,925,322.12 | (713,909,852.68) | 7,801,240,587.15 |
| Other important non-cash items: | | | | | |
| – Long-term equity investments in associates and joint ventures | 42,041,043.30 | 211,456,850.03 | 73,636,982.77 | – | 327,134,876.10 |
| – The amounts of increase/ (decrease) of non-current assets other than long-term equity investments | 170,900,599.53 | (559,741,299.74) | 2,309,200.71 | (12,608,686.69) | (399,140,186.19) |

MANAGEMENT DISCUSSION AND ANALYSIS (ALL AMOUNTS ARE PRESENTED IN RMB, UNLESS OTHERWISE STATED)

BUSINESS REVIEW

In 2022, facing the prolonged epidemic, the Group conscientiously implemented the overall requirements of “controlling epidemic, stabilizing economy and pursuing safe development” by focusing on both epidemic prevention and control and enterprise development. Thanks to the precise implementation of the “one enterprise, one policy” strategy, the three-year state-owned enterprises reform campaign ended smoothly, effective results were achieved in “loss reduction, efficiency enhancement, debt reduction and cost saving”, a improvement was realized in our operation and management and the fundamentals of our Company improved gradually.

TRAVEL SERVICE SEGMENT

1. EXPRESSWAY SERVICE ZONES OPERATION

By centering on the development strategy of the “14th Five-Year Plan”, the Group continued to carry out preventive measures against the pandemic, strived to overcome the impacts brought by, among other things, decreasing consumer demand and weakening economic expectations caused by the epidemic, endeavored to stabilize economy, stabilize growth, reduce costs and secure revenue, and strived to promote the development of various businesses, such as energy, merchant solicitation, retail and advertising.

1. Energy Business

The Group strived to expand and strengthen its energy business, enhance its own brandname and create a new momentum for energy development. As of the end of December 2022, the Company had 209 oil stations with operating right, including 64 owned and operated oil stations, 13 cooperative oil stations and 132 oil stations under contracted operations. The main measures were as follows:

- (1) Upholding the development strategy of our energy business. We continued to expand the scale of our self-operated oil station network, completed the construction, investment and operation of the new oil station in Shengtang service zone and the reconstructed oil stations in Nansha and Qujiang service zones, and continued to boost the construction of the oil stations in Xinyangjiang and Yuebei service zones and other oil stations.
- (2) Cultivating innovations in the investment model of oil stations. We successfully pioneered a new model for the construction of a new oil station in Yuebei service zone whereby the construction was funded by the station owner and the Group was responsible for the operation of the station, which significantly reduced the Company’s capital investment and mitigated the pressure for the future operation of the service zone.

- (3) Carrying out personalized marketing campaigns. We carried out 37 personalized marketing campaigns in our self-operated oil stations, including diesel listing price reduction campaigns, diesel graded marketing campaigns and “one stop, one policy” campaigns. As of December 2022, we had a total of 71 major contracted refueling customers with the addition of 31 new customers and secured 253,000 new “Yueyun Energy” electronic members and a total of 539,000 members. Our brand influence continued to expand, and our oil sales volume continued to grow.
- (4) Offering more convenient payment options. To meet people’s demand for high-quality travelling, our self-operated oil stations utilized various software and hardware means, such as self-service payment machines, mobile POS machines and WeChat official accounts, to continuously improve customers’ experience in fast payment and enhance the passing rate of refueling vehicles.
- (5) Actively exploring a comprehensive layout in the energy industry. In line with the changes in the international and domestic energy markets, we accelerated our transformation from a traditional oil seller to a comprehensive energy service provider by gradually forging a new pattern of diversified industry development integrating hydrogen refueling, oil refueling, charging, photovoltaic power generation, non-fuel and other energy businesses, with an aim to create a new industrial chain for the development of the energy industry.

2. Retail Business

The Group continued to leverage its geographical advantages to gain new space for developing its retail business and improve the market competitiveness of its “Loyee” brand. As of the end of December 2022, the Group had 479 “Loyee” convenience stores. The main operating measures were as follows:

- (1) Further expanding the scale of our retail network. By leveraging on the self-operation and cooperation modes, we established 14 new “Loyee” convenience stores.
- (2) Seizing opportunities to expand business and create new benefits. By leveraging on the time period when the cooked food and catering facilities in service zones were for rent, we increased the temporary sales of cooked food. By leveraging on the characteristics and resource advantages of expressways, we sold the “Luzhou Laojiao” series of commodities in our service zones and introduced a new mode in promoting commodities and soliciting investment.
- (3) Taking effective measures to cope with market changes. To mitigate the impact of market environment on our retail business, we optimized and adjusted our category structure of commodities to enhance their acceptance. By carrying out a new Loyee VI upgrading pilot project in Huacheng and Yuantan convenience stores, we comprehensively upgraded the brand image of “Loyee”, enhanced customers’ experience and increased our revenue.

- (4) Cultivating our own capabilities for business development. We implemented the “one store, one policy” plan to enhance quality and efficiency, orderly promoted the iterative updating of our retail business system, and continuously improved our business income while catering for the consumption needs of the traveling population.

3. *Merchant Solicitation Business*

The Group continued to explore the commercial value of service zones, enrich the variety of business operations and service patterns and improve its platform development capability. As of the end of December 2022, we had 360 service zones with operating right and 348 service zones in operation. The main operating measures were as follows:

- (1) Focusing on boosting the construction of the specialty service zones along the Guangzhou-Zhanjiang Expressway in accordance with the brand strategy of “one expressway, one policy and one zone, one product”. Shengtang service zone was successfully built as the country’s first freight theme service zone, Liangjinshan service zone, a comprehensive service zone integrating blockhouse elements and local specialties, was officially put into operation, and the construction of Xinyangjiang, Chengcun and Qianshui service zones was progressing steadily. We established a commercial operation working group for the service zones along the Guangzhou-Zhanjiang Expressway to gradually cultivate its own commercial operation capability, and further improved our service quality by successfully introducing a number of specialty projects with various business patterns.
- (2) Actively planning for our future core business development. We continued to incubate new business patterns and gradually develop them into our own business elements, and built our own commercial brands, such as “Yipinhui” and “Letu”, to improve our core competitiveness. We cultivated innovative business valuation models and leveraged our platform’s advantages to solicit cooperative merchants by business patterns and tried to utilize turnover sharing model to achieve mutual benefit and win-win results.
- (3) Actively dealing with the difficulties in merchant solicitation caused by the epidemic and other factors. We comprehensively coordinated our idle and vacated merchant solicitation facilities, took multiple measures to revitalize our vacant shops and strived to improve their occupancy rate. We actively implemented the epidemic-related support policies and requirements released by superior authorities and effected standardized rent reductions for merchants during the epidemic in stages. Such rent reductions involved 413 merchant solicitation facilities and a rent reduction amount of approximately RMB75.52 million, which played a positive role in easing the business pressure of merchants, boosting the business confidence of merchants and stabilizing the situation of our merchant solicitation business.

4. *Advertising Business*

The Group continued to improve its refined management capability and explore the potential value of advertising resources and advanced towards the goal of cultivating an omni-media advertising business. As of the end of December 2022, the Group operated and managed 509 advertising resources on 71 expressways, including billboards above service zones, billboards above toll stations, gantries, pole billboards, overpass bridges, floor standing billboards, etc. The main operating measures are as follows:

- (1) Maintaining the overall stability of advertising resources. We successfully ensured the safety of advertising assets in Dongguan to avoid economic losses. We developed and established 11 outdoor billboards with innovative designs, including double-column, sailboat and floor light box designs, and achieved good merchant solicitation results. We separated advertising release management contracts and advertising facility operation and maintenance service contracts to enhance the revenue of advertising resources. We had advertising business operation area of 129,537 square meters and our reserve of advertising resources was generally stable.
- (2) Continuing to strengthen marketing and develop self-operated business. We signed 24 planning and marketing contracts, representing an increase of 8.3% year on year. We secured 12 new customers and renewed contracts with 6 existing customers. The total number of our cooperative customers was 84, including 11 direct-sale customers and 73 channel customers.
- (3) Striving to establish a market-oriented management mechanism. We streamlined our organizational structure to better adapt to our market-oriented business. In addition to a plan to participate in the business of direct-sale customers with profit sharing commissions, we further developed an excessive profit-sharing scheme to encourage all-staff-involved marketing. We reinforced our efforts to collect amounts due from customers and initiate litigations against customers who defaulted in payments, with an aim to reduce the scale of accounts receivable.

2. ***ROAD PASSENGER TRANSPORTATION AND AUXILIARY***

In accordance with the overall strategy of “retaining business operations adopting TC public transportation mode and phasing out other domestic passenger transportation business operations orderly”, we formulated a main guideline for transportation enterprises to “phase out passenger transportation business orderly and pursue transformation and development under their own specific circumstances”. The Group checked the production and operation, resources and finance of its affiliated enterprises, devised a “one enterprise, one policy” work plan, formulated four goals, five principles and ten measures, refined our task list, and carried out “weekly scheduling, half-monthly assessment and monthly analysis” to effectively promote the implementation thereof. The main operating measures are as follows:

1. *Effectively promoting “one enterprise, one policy”*

- (1) Strengthening efforts to promote business closure, suspension, merger and transformation. We closed a total of 13 corporate bodies, and reduced the scale of our transportation terminals. At the beginning of the year, we had 86 transportation terminals. By now, 33 transportation terminals have been closed and 51 transportation terminals have been operated at reduced standards. All loss-making routes were withdrawn from the 366 original routes (except those in the urban and rural public transportation equalization business). Some of the withdrawn vehicles were transferred to town-to-village transportation, some were used to expand off-stationed business, some were transferred, and some were disposed of. The number of county-level business entities was reduced. At the beginning of the year, we had 60 county-level business entities. By now, 22 entities have been withdrawn or merged. Fleet management was realized in 13 county-level business entities.
- (2) Optimizing the organization and promoting the matching of staff size and structure with business, reducing the labor cost by approximately 17.60%.
- (3) Reducing interest-bearing liabilities. The interest-bearing liabilities of domestic transportation enterprises decreased by RMB351 million as of the end of December 2022.

2. *Strengthening efforts to pursue transformation*

- (1) Carrying out all-staff-involved marketing and expanding off-stationed business. We set a total of 136 greeting stations and vigorously expanded off-stationed businesses, including chartering, commuting, online car-hailing and customization services, through all-staff-involved marketing. As of the end of December 2022, the revenue from off-stationed business was RMB290 million, representing an increase of 16% year on year, with the percentage of off-stationed businesses up to 55%.
- (2) Introducing powerful investors for joint operation. The central hub station of Meizhou was jointly developed into a commercial complex. A central kitchen was jointly operated in Xintang passenger station.
- (3) Continuing to collect government subsidies. As of the end of December 2022, the actual amount of subsidy received was approximately RMB176 million.
- (4) Actively utilizing existing terminals and land resources. A total amount of RMB98.05 million was collected from the disposal of vehicles and properties. By reducing the passenger transportation functional area of terminals and office area and leasing out such areas and properties, we had an increase of RMB41 million in our annualized rental of properties.

3. Continuing to develop expressway vehicle rescue business

The Group continued to expand expressway vehicle rescue business while ensuring the high-quality completion of the task to keep the “traffic safety and smoothness” of expressways. As of the end of December 2022, the rescue service mileage reached 7,002 kilometers covering a total of 77 expressway sections, accounting for approximately 63% of the total mileage of expressways in the province and approximately 88% of the mileage of expressways of GCGC. The Group set up 191 rescue stations with 676 sets of various rescue equipment. The main operating measures are as follows:

- (1) Actively exploring new service model and market-oriented business. As of the end of September 2022, we completed the development of a mini program named “Yueyun Trailer”, which was designed to provide round-the-clock vehicle rescue service for vehicle owners on the expressways in Guangdong Province. We also launched a golden card membership vehicle travel guarantee service product at a nominal value of RMB39.9 for owners of 7-seat and below passenger vehicles. We reinforced our efforts in carrying out all-staff-involved marketing and sold out more than 35,000 pieces of such service products.
- (2) Perfecting our service quality standards visualization system. We completed the construction and equipment installation of the “5G+AI technology-based video monitoring and rescue cloud service platform”, realized real-time transmission of video records of the rescue service process and automatic acquisition of the rescue time node data, which provided good technical support for rescue service quality monitoring, remote control of complex on-site rescue operations and the continuous improvement of our rescue service capability. We took the lead in solving the difficulties of the rescue industry in service quality evaluation and real-time tracking, which laid a solid foundation for the Company’s subsequent business expansion.

3. TAIPING INTERCHANGE OPERATION

To maintain the safe operation of the Taiping Interchange, we carried out daily inspection for the entire road section and organized maintenance and repair works. The Group focused on reducing unnecessary works, completing the organization and implementation of necessary works and strictly controlling daily management expenses. The main operating measures are as follows:

- (1) As of the end of December 2022, the Taiping Interchange recorded operating income of approximately RMB97.31 million and an average daily traffic flow of 74,000 vehicles, representing a year-on-year decrease of 17%.
- (2) According to our annual maintenance and repair plan, we had 21 planned projects in total, including 8 projects extended from the previous year and 13 new projects.

4. OTHER BUSINESSES

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

FINANCIAL REVIEW (2021 FIGURES HAVE BEEN RESTATED)

The Group's Annual Results for the year ended 31 December 2022

For the year ended 31 December 2022, operating income of the Group amounted to RMB5,819,528,000 (2021: RMB6,271,137,000), representing a year-on-year decrease of RMB451,609,000 or 7%; gross profit amounted to RMB181,571,000 (2021: RMB407,586,000), representing a year-on-year decrease of RMB226,015,000 or 55%. The year-on-year change in operating income and gross profit was mainly due to year-on-year decreases in the passenger volume of the transportation business and the customer flow of the expressway service zones under normalized epidemic prevention and control, affecting revenue and gross profit.

For the year ended 31 December 2022, the Group realized net loss attributable to shareholders of the parent company (the "Shareholders") of RMB150,423,000 (2021: Net loss attributable to shareholders of the parent company of RMB220,312,000), representing a year-on-year decrease in loss of RMB69,889,000; basic loss per share was RMB0.19 (2021: basic loss per share of RMB0.28), representing a year-on-year decrease in loss of RMB0.09 per share. The decrease in loss was mainly due to the increase in investment income as a result of the transfer of 100% equity interests in Guangdong Province Transportation Engineering Company Limited ("Transportation Engineering"), a wholly-owned subsidiary of the Company, and the promotion of "one policy for one enterprise" for road transportation business, which achieved remarkable results in cost reduction and efficiency improvement for the year.

SEGMENT INFORMATION

Operating Income

Operating income of the Group was primarily derived from the expressway service zones operation business and the road passenger transportation and auxiliary business. Operating income of the Group in 2022 amounted to RMB5,819,528,000 (2021: RMB6,271,137,000), representing a year-on-year decrease of RMB451,609,000 or 7%.

Operating income by business segments:

| | For the year ended 31 December 2022 | | For the year ended 31 December 2021 | |
|---|--|-------------|--|-------------|
| | RMB'000 | Percentage | RMB'000 | Percentage |
| Expressway service zones operation business | 3,788,823 | 65% | 3,726,307 | 59% |
| Road passenger transportation and auxiliary business | 1,916,269 | 33% | 2,346,181 | 38% |
| Operation of Taiping Interchange | 97,309 | 2% | 121,446 | 2% |
| Other Businesses | 17,127 | 0% | 77,203 | 1% |
| Total | <u>5,819,528</u> | <u>100%</u> | <u>6,271,137</u> | <u>100%</u> |

1. Expressway Service Zones Operation Business

The expressway service zones operation business recorded operating income of RMB3,788,823,000 in 2022 (2021: RMB3,726,307,000), representing a year-on-year increase of RMB62,516,000 or 2%. Of which:

- (1) For energy business, the operating income amounted to RMB3,137,105,000 in 2022(2021: RMB2,886,182,000), representing a year-on-year increase of RMB250,923,000 or 9%, which was mainly due to the year-on-year increase in the scale of oil stations and the rise in oil prices.

- (2) For retail business, the operating income amounted to RMB342,493,000 in 2022 (2021: RMB432,554,000), representing a year-on-year decrease of RMB90,061,000 or 21%, which was mainly due to a year-on-year decrease in sales volume of the stores of retail business as a result of normalized epidemic prevention and control, resulting in a decrease in revenue.
- (3) For merchant solicitation business, the operating income amounted to RMB227,731,000 in 2022 (2021: RMB302,940,000), representing a year-on-year decrease of RMB75,209,000 or 25%, which was mainly due to the fact that under the impact of the pandemic, there were more vacant shops due to the exit of merchants or non-renewal of leases upon expiration, resulting in a year-on-year decrease in revenue.
- (4) For advertising business, the operating income amounted approximately to RMB81,494,000 in 2022 (2021: RMB104,631,000), representing a year-on-year decrease of RMB23,137,000 or 22%, which was mainly due to a year-on-year decrease in revenue from column billboards.

2. Road Passenger Transportation and Auxiliary Business

The road passenger transportation and auxiliary business recorded operating income of RMB1,916,269,000 in 2022 (2021: RMB2,346,181,000), representing a year-on-year decrease of RMB429,912,000 or 18%, which was mainly attributable to the decrease in passenger traffic of the transportation business under the impact of various transportation methods and the normalization of epidemic prevention and control, resulting in a year-on-year decrease in revenue.

3. Operation of Taiping Interchange

Taiping Interchange recorded operating income of approximately RMB97,309,000 in 2022 (2021: RMB121,446,000), representing a year-on-year decrease of RMB24,137,000 or 20%, which was mainly due to a year-on-year decrease of 17% in daily traffic.

4. Other Businesses

Other Businesses recorded operating income of RMB17,127,000 in 2022 (2021: RMB77,203,000), representing a year-on-year decrease of RMB60,076,000 or 78%, which was mainly due to a decrease in the existing business volume of material logistics.

Gross profit

The gross profit of the Group in 2022 was RMB181,571,000 (2021: RMB407,586,000), representing a year-on-year decrease of RMB226,015,000 or 55%, with a gross profit margin of 3.12% (2021: 6.50%).

Gross profit by business segments:

| | For the year ended 31 December 2022 | | For the year ended 31 December 2021 | |
|--|--|-------------|--|-------------|
| | RMB'000 | Percentage | RMB'000 | Percentage |
| Expressway service zones operation business | 350,402 | 193% | 483,569 | 119% |
| Road passenger transportation and auxiliary business | (240,368) | (132%) | (175,497) | (43%) |
| Operation of Taiping Interchange | 70,812 | 39% | 98,127 | 24% |
| Other Businesses | 725 | 0% | 1,387 | 0% |
| Total | <u>181,571</u> | <u>100%</u> | <u>407,586</u> | <u>100%</u> |

1. Expressway Service Zones Operation

The expressway service zones operation business recorded gross profit of RMB350,402,000 in 2022 (2021: RMB483,569,000), representing a year-on-year decrease of RMB133,167,000 or 28%, and the gross profit margin was 9% (2021: 13%). Of which:

- (1) The energy business generated gross profit of RMB350,937,000 in 2022 (2021: RMB365,369,000), representing a year-on-year decrease of RMB14,432,000 or approximately 4%. The gross profit margin was 11% (2021: 13%). The year-on-year decreases in the gross profit and gross profit margin were mainly due to the decrease in differences between purchasing and selling prices of oil products, and the year-on-year increases in labor cost and depreciation and amortization due to an addition of oil stations.
- (2) The retail business generated gross profit of RMB12,000 in 2022 (2021: RMB40,735,000), representing a year-on-year decrease of RMB40,723,000 or 100%. The gross loss margin was 0% (2021: gross profit margin of 9%). The year-on-year decreases in the gross profit and gross profit margin were mainly due to the significant decrease in revenue due to the impact of the pandemic.
- (3) The merchant solicitation business generated gross loss of RMB42,840,000 in 2022 (2021: gross profit of RMB27,200,000), representing a year-on-year decrease of RMB70,040,000 or 258%. The gross loss margin was 19% (2021: gross profit margin of 9%). The year-on-year decreases in the gross profit and gross profit margin were mainly due to the impact of the pandemic, more vacant shops and less income.

- (4) The advertising business generated gross profit of RMB42,293,000 in 2022 (2021: RMB50,265,000), representing a year-on-year decrease of RMB7,972,000 or 16%. The gross profit margin was 52% (2021: 48%). The lower gross profit was mainly due to a decrease in operating income.

2. Road Passenger Transportation and Auxiliary Business

Road passenger transportation and auxiliary business generated gross loss of RMB240,368,000 in 2022 (2021: gross loss of RMB175,497,000), representing a year-on-year increase of RMB64,871,000 or 37%, and the gross loss margin was 13% (2021: gross loss margin of 7%). The year-on-year increases in the gross profit and gross profit margin were mainly due to a decrease in the passenger flow, resulting in a decrease in revenue year-on-year.

3. Taiping Interchange Operation

Taiping Interchange operation generated gross profit of RMB70,812,000 in 2022 (2021: RMB98,127,000), representing a year-on-year decrease of RMB27,315,000 or 28%. The gross profit margin was 73% (2021: 81%). The year-on-year decreases in the gross profit and gross profit margin were mainly due to a year-on-year decrease in daily traffic due to the impact of the pandemic resulting in a decrease in toll revenue.

4. Other Businesses

Other businesses generated gross profit of RMB725,000 in 2022 (2021: RMB1,387,000), representing a year-on-year decrease of RMB662,000 or 48%. The gross profit margin was 4% (2021: 2%). The year-on-year decreases in the gross profit and gross profit margin were mainly due to the decrease in material logistics business due to the decrease in inventory business.

ADMINISTRATIVE AND R&D EXPENSES

In 2022, the Group incurred administrative and research and development expenses of RMB584,393,000 in total (2021: RMB612,161,000), representing a year-on-year decrease of RMB27,768,000 or 5%, which was mainly attributable to the promotion of “one policy for one enterprise” for road transportation business during the year and the remarkable effect of cost control measures for the year.

FINANCE EXPENSES

In 2022, the Group incurred finance expenses of RMB218,674,000 (2021: RMB228,476,000), representing a year-on-year decrease of RMB9,802,000 or 4%.

OTHER INCOME

In 2022, the Group incurred other income of RMB478,220,000 (2021: RMB322,342,000), representing a year-on-year increase of RMB155,878,000 or 48%, which was mainly due to a year-on-year increase in subsidies for operation.

INVESTMENT GAIN/(LOSS)

In 2022, the Group incurred investment gain of RMB236,041,000 (2021: investment loss of RMB7,379,000), representing a year-on-year increase of income of RMB243,420,000 or a change of 3299%, which was mainly due to the investment income generated from the transfer of equity in Transportation Engineering for the year.

CREDIT IMPAIRMENT LOSSES

Credit impairment losses of the Group in 2022 was RMB8,330,000 (2021: credit impairment losses of RMB4,044,000), representing a year-on-year increase of RMB4,286,000 or 106%, which was mainly attributable to a year-on-year increase in receivables aging over two years resulting in a year-on-year increase in the provision for credit impairment losses for the period.

IMPAIRMENT LOSSES OF ASSETS

Impairment losses of assets of the Group in 2022 was RMB49,770,000 (2021: RMB19,517,000), representing a year-on-year increase of RMB30,253,000 or 155%, which was mainly due to the effects of a year-on-year increase in the provision for goodwill impairment of transportation units for the year.

GAINS ON DISPOSAL OF ASSETS

In 2022, the Group incurred gains on disposal of assets of RMB26,512,000 (2021: RMB5,344,000), representing a year-on-year increase of RMB21,168,000 or 396%, which was mainly due to the impact of a year-on-year increase in disposal of idle assets for the year.

NON-OPERATING INCOME AND EXPENDITURE

The net amount of non-operating income and expenditure in 2022 incurred a net income of RMB18,312,000 (2021: a net income of RMB2,180,000), representing a year-on-year increase in net income of RMB16,132,000 or 740%, which was mainly due to a year-on-year increase in government grants and a year-on-year decrease in losses on destruction and retirement of non-current assets.

LIQUIDITY AND CAPITAL STRUCTURE

The Group adopted prudent financial management policies towards its financial management, and implemented strict budget control towards the use of funds. The Group satisfied its requirements for cash in respect of its payment obligations under contracts and general working capital mainly through cash generated from operating activities and bank borrowings. The Group optimized its financial structure to minimize financing costs. The Group enhanced capital allocation through the operation of cash pooling, in order to increase the efficiency of capital utilization. Benefitting from the strict budget controls towards the funds and the improvements on the financial structure, at the end of 2022, the balance of bank and financial institution facilities available to the Group amounted to RMB2,819,500,000, which provided sufficient protection for the Group's operating loans, ensuring repayment of principal and interest without risk of default.

| Items | 31 December 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|---|--------------------------------|
| Borrowings (banks and other financial institutions) | 2,384,127 | 3,148,951 |
| Less: Cash and cash equivalents | 945,099 | 1,249,782 |
| Net debt | 1,439,028 | 1,899,169 |
| Total liabilities | 6,733,847 | 7,801,241 |
| Total shareholders' equity | 2,481,755 | 2,753,208 |
| Total equity | 3,920,783 | 4,652,377 |
| Total assets | 9,215,602 | 10,554,449 |
| Gearing ratio | 36.70% | 40.82% |
| Asset to liability ratio | 73.07% | 73.91% |

Gearing ratio = Net debt/Total equity

Total equity = Net debt + Total shareholders' equity

Asset to liability ratio = Total liabilities/Total assets

Cash flows

In 2022, the Group satisfied its requirements for payment obligations under contracts 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 year ended 31 December | | |
|--------------------------------------|---------------------------------------|-----------------|-------------------|
| | 2022 RMB'000 | 2021 RMB'000 | Change RMB'000 |
| Cash generated from/(used in) | | | |
| Operating activities | 810,837 | 906,376 | (95,539) |
| Investing activities | 63,274 | (422,248) | 485,522 |
| Financing activities | (1,179,417) | (470,915) | (708,502) |

Operating activities

The Group's net cash inflow from operating activities amounted to RMB810.837 million in 2022 (2021: net cash inflow of RMB906.376 million), representing a year-on-year decrease of net cash inflow of RMB95.539 million, which was mainly due to a year-on-year decrease in cash received from sales of goods and rendering of labor services as a result of a year-on-year decrease in revenue for the year.

Investing activities

In 2022, the net cash inflow from investing activities was RMB63.274 million (2021: net cash outflow of RMB422.248 million), representing an increase in net cash inflow of RMB485.522 million, which was mainly attributable to a year-on-year increase in cash received from disposal of subsidiaries due to the transfer of 100% equity interest in Transportation Engineering in the year, and the strengthening of investment scale control to reduce the acquisition and construction of fixed assets including vehicles.

Financing activities

The net cash outflow from financing activities in 2022 was RMB1,179.417 million (2021: net cash outflow of RMB470.915 million), representing a year-on-year increase of RMB708.502 million in net cash outflow, which was mainly due to a year-on-year increase in debt repayment expenses.

Borrowings

As of 31 December 2022, outstanding loans of the Group amounted to RMB2,384.127 million (31 December 2021: RMB3,148.951 million), comprising (i) unsecured short-term loans of RMB598.646 million (31 December 2021: RMB574.685 million); (ii) secured short-term loans of RMB145.392 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 RMB824.447 million (31 December 2021: RMB1,003.242 million); (v) secured long-term loans of RMB343.358 million (31 December 2021: RMB360.528 million); (vi) pledged long-term loans of RMB17.520 million (31 December 2021: RMB35.830 million); (vii) financing leases payable of RMB448.764 million (31 December 2021: RMB602.577 million); and (viii) bonds payable of nil (31 December 2021: RMB390.873 million). As of 31 December 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 46%.

Material subsequent events

Nil.

Major investments held

Nil.

MAJOR ACQUISITIONS, DISPOSALS AND ESTABLISHMENT OF NEW COMPANIES

For the year ended 31 December 2022, the Group entered into an equity transfer agreement with Guangdong Litong Development and Investment Company Limited for the transfer of 100% equity interest in Transportation Engineering, a wholly-owned subsidiary, at a transfer price of RMB216,637,000.

MAJOR PROPERTIES HELD FOR INVESTMENT

Set out below are the major properties held for investment by the Group as at 31 December 2022:

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

PLEDGE OF ASSETS

As at 31 December 2022, fixed assets at the net value of approximately RMB260,807,000 (31 December 2021: RMB337,250,000) and land use rights at the net value of approximately RMB116,905,000 (31 December 2021: RMB139,146,000) of the Group were pledged as security for borrowings. As at 31 December 2022, transportation vehicles at the net value of approximately RMB265,510,000 (31 December 2021: RMB366,182,000) of the Group were pledged as security for lease.

FOREIGN EXCHANGE RISK AND HEDGING

Most of the operating income and expenditure of the Group are settled or denominated in RMB, except for the revenue and expenditure related to cross-border transportation services. In 2022, the impact of exchange rate fluctuations on the working capital and liquidity of the Group was relatively small. The Directors of the Company believe that the Group has 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 31 December 2022, the Group had no material contingent liabilities.

MAJOR INVESTMENTS AND KEY BUSINESS DEVELOPMENTS OF THE GROUP IN 2023

TRAVEL SERVICES SEGMENT

1. Expressway Service Zones Operation

With the continuous deepening of state-owned enterprise reform, the reform of the expressway service zone business represents the general trend. By implementing reform measures such as asset restructuring, adjustment of management structure, transformation of operation model, reduction of layers of management and optimization of internal management, the Group will give full play to the resource advantages of expressway service zones, standardize operation and management behaviors, increase revenue and reduce expenditures and improve economic efficiency to promote the transformation and upgrading and achieve high-quality development of the service zones business. The Group will accelerate the implementation of such reform measures according to the formulated work plan once approved to ensure that such reform measures can be completed successfully and orderly on schedule. Through comprehensive reform and innovation, the Group will continuously promote the improvement of the expressway service zones business.

1. Energy Business

- (1) Conducting in-depth and careful analysis on the overall development of the energy business and benchmark with advanced peers. We will promote the reform of the operation model of oil stations in operation, under construction and whose operation rights outsourcing contracts have expired to improve the development efficiency of the energy business.

- (2) Further consolidating the comprehensive operation capabilities of self-operated oil stations, making great efforts on membership, marketing and services, actively expanding member base and develop key customers through multiple channels, carrying out personalized and precise marketing in multiple ways, improving self-operated brand service capabilities in multiple dimensions and continuing to make efforts in large-scale operation, refined management, branding and efficiency enhancement of oil stations.
- (3) Innovating the concept of development. We will gradually build a comprehensive energy service network of oil, gas, hydrogen, electricity and non-oil products, etc. by leveraging on the advantages of platform resources, make the “Yueyun Energy” brand stronger and promote the development of the energy business to create new achievements.

2. *Retail Business*

- (1) Focusing on the market segments, we will continue to build a comprehensive physical retail brand of “commodity + service + demand scenario” and strive to provide more convenience and services to travellers.
- (2) Comprehensively reviewing the management model of Loyee convenience stores. We will gradually develop business segments including large scale integrated supermarkets, medium-sized supermarkets, small convenience stores and unmanned vending and a new model of differentiated operation and management for the retail business through self operating, franchising, as well as wholesale and distribution, and strive to improve the efficiency of large-scale operation.
- (3) Accelerating the study on measures that meet market demand under the new situation, carrying forward the store operation with automatic vending equipment, promoting the leasing and operation of multi-store models and striving to make loss-making stores profitable.
- (4) Further strengthening the refined management of the retail business, continuously optimizing and enriching commodity categories, increasing the efforts in commodity promotion and display and improving commodity supply chain management capabilities.
- (5) Continuing to develop the big retail (大零售) business and actively expanding the wholesale customers of entities within and outside the Group by making full use of commodity channels and location advantages to increase the scale and efficiency of the group purchase and wholesale business.

3. *Merchant Solicitation Business*

- (1) Creating an integrated management model of merchant solicitation and operation in the service zones, cultivating a commercial operation management team, starting from the commercial operation of the Guangzhou-Zhanjiang line service zones, optimizing new business formats and new merchants to create new environment and experiences, gradually establishing a standard business management system and improving commercial value of the platform.
- (2) Summarizing the experiences in commercial development of “one policy for one district”, promoting the development of characteristic and differentiated service zone projects in Henghe, Heping, Huangtian and Tanzhou, making research on infusion of local characteristic elements, exploring the connection between service zones and local industries and gradually create a new situation in which transportation drives the development of local communities and promoting the share of the results of development.
- (3) Comprehensively coordinating the merchant solicitation resources in the service zones, further optimizing the business layout, increasing new business projects, soliciting more brand merchants to enter, trying to promote the implementation of new retail model of commercial development of self-owned brands in the service zones and driving the efficiency of the service zones to improve through brand influence.
- (4) Continuing to promote the standardization of the merchant solicitation business management, comprehensively refining the various aspects of the management of the merchant solicitation business and improving the management efficiency of the merchant solicitation business subject to laws and regulations. We will increase the disclosure of leasing information and expand disclosure channels to ensure openness, transparency and full competition and enhance the value of the merchant solicitation business.
- (5) Fully optimizing personnel deployment and management process and adopting different management models according to the traffic volume, passenger flow volume and geographical location of different service zones. We will explore the introduction of large-scale property management companies for professional management to improve management standards and reduce management costs

4. *Advertising Business*

- (1) Maintaining our existing advertising resources and appropriately increasing the construction of advertising signs in response to market demand. At the same time, we will increase marketing efforts to reduce the vacancy rate of advertising resources.
- (2) Actively expanding new market-oriented business. On the basis of the original business, we will actively expand the electronic screen digital business in the service zones, the planning and marketing business and other new businesses. We will also expand and develop new businesses such as the service zones light box advertising business and the planning and marketing business and expand directly-operated business through multiple channels.
- (3) Reducing the size of accounts receivable. We will accelerate the collection of accounts receivable and strive to achieve a year-on-year decrease in accounts receivable with ageing over one year.

2. *Road Passenger Transportation and Auxiliary Services*

1. *Implementing “one policy for one enterprise”, optimizing business structure and improving operating efficiency*

- (1) Implementing the overall exit of conditional transportation enterprises. We will promote the overall and orderly exit of some transportation companies by way of closure, cancellation, equity transfer, etc. For the transportation companies that are expected to make losses, we will promote the overall and orderly exit of their loss-making county-level operating entities.
- (2) Reducing interest-bearing liabilities and preventing and resolving debt risks. We will continue to focus on the control of the total liabilities of the transportation business, especially to achieve a year-on-year decrease in interest-bearing liabilities. Assets with market value will be sold in the market, the land that the government intends to purchase and reserve will be purchased and reserved by the government, and efforts will be made to increase revenue through asset disposal. We will continue to strive for local financial subsidies and increase efforts to recover revenue.
- (3) Optimizing the organization and promoting the matching of staff size and structure with business. Through measures such as controlling the proportion of management members and rationing production staff based on business volume, we will actively promote the optimization of staff structure and reasonably control the total number of employees. We will continue to optimize the staff and control the number of employees in the transportation industry. The ratio of drivers to non-drivers shall not be less than 2:1, and the proportion of labor costs in revenue shall be controlled within 45%.

- (4) Continuing to promote long-term local subsidy policies. We will promote all transportation units to continue to strive for the introduction of subsidy policies for urban public transportation, rural passenger transportation and other equalization business by local governments and the realization of a year-on-year increase in local subsidies.
- (5) Strengthening the assessment and application. We will formulate a performance appraisal plan oriented towards performance targets. According to the annual net profit target, we will make appraisals on three levels (i.e., loss-making enterprises, low-profit enterprises and profit-making enterprises), give full play to the role of the “baton” of performance assessment, improve the enthusiasm of employees, and promote the improvement of the Company’s overall operating performance.

2. Strengthening transformation and upgrade

- (1) Promoting digital transformation and create “one platform” and “one card”. Taking the construction and operation of “Digital Yueyun (數字粵運)” as a starting point, we will complete the planning and design of the overall framework of “Digital Yueyun (數字粵運)” travel service platform, initially establish a membership system, and build a digital operation service center for “Digital Yueyun (數字粵運)”, and realize the digital construction and online operation of certain businesses of “Digital N+(數字 N+)”, and gradually realize the output of online standardized service capabilities.
- (2) Accelerating the promotion of “Digital Passenger Transportation (數字客運)”, cooperating deeply with leading travel platforms, fully promoting and launching on the basis of previous pilots, actively exploring the effective integration of traditional road passenger transportation and platform resources, and enhancing the development space of intercity travel of traditional road passenger transportation, online passenger grouping and other businesses through the digital empowerment of platforms.
- (3) Actively expanding off-site businesses. We will promote the development of off-site businesses such as customized passenger transportation, chartered bus, commuting and research and study tours, and achieve continuous growth of off-site businesses through all-staff marketing incentive and assessment.
- (4) Actively revitalizing assets. We will actively promote the revitalization of effective assets in various forms, and carry out overall planning for stations, office buildings and other properties. We will accelerate the overall relocation of enterprises in Guangzhou to centralize offices to save office rentals. We will increase leasable areas by reducing office areas and passenger transportation functions of stations, and improve the occupancy rate of stations, office buildings and other properties through multiple channels. We will cooperate with competent third parties to enhance effective asset returns.

3. *Continuing to develop expressway vehicle rescue business*

- (1) Actively improving service quality. We will implement rescue services by ensuring the efficiency of on-site arrival in 30 minutes and the punctuality rate of obstacle clearance in 60 minutes, so as to improve the efficiency of expressway rescue support.
- (2) Promoting the market-oriented mechanism and carrying out all-staff marketing in an all-round way. We will achieve continuous growth in the number of gold card members and incremental revenues of the membership-based vehicle travel protection service for the expressway vehicle rescue business through measures such as the acquisition of B-end customers, channel sales, and all-staff marketing incentive and assessment.

OTHER INFORMATION

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2022.

Closure of Register of Members

The Company's annual general meeting (the "AGM") will be held on Thursday, 15 June 2023. In order to determine the shareholders who will be entitled to attend and vote at the AGM, the Company will suspend registration of transfer of shares. The details are as follows (all dates and time mentioned herein are Hong Kong time):

To determine the shareholders who will be entitled to attend and vote at the 2022 AGM:

| | |
|--|---|
| Deadline for lodging transfer documents for registration | 4:30 p.m. Friday, 9 June 2023 |
| Closure of register of members | Monday, 12 June 2023 to Thursday, 15 June 2023 |
| Record date | Thursday, 15 June 2023 |

The register of members of the Company will be closed during the above period. In order to determine the qualification of H-Share holders to attend and vote at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by the abovementioned deadlines.

Dividend

Given the recorded loss in the Company's results due to the impact of COVID-19 pandemic during the year, and taking into account numerous factors including the growth of the Company and our shareholders' interests, the Board did not recommend the payment of any dividend for the year ended 31 December 2022.

Corporate Governance

The Company believes that stringent corporate governance practices could enhance its credibility and transparency and are in the interests of the Shareholders. Accordingly, the Company has been making continuous efforts in enhancing its standard of corporate governance with reference to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the articles of association of the Company (the "**Articles of Association**") and other applicable laws and regulations.

The Company has complied with all code provisions except for code provisions B.2.2, C.1.6 and C.2.1 of the Corporate Governance Code ("**Corporate Governance Code**") set out in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

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 was completed on 31 August 2022, resulting in a temporary deviation of the Company from code provision B.2.2 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Nevertheless, the Company believe that the postponement of the re-election of the Board did not cause any negative impact on the formulation and implementation of the Company's strategy and the operation of the Company. The Company has re-complied with code provision B.2.2 of the Corporate Governance Code.

Code provision C.1.6 provides that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders. During the reporting period, due to the travel restrictions imposed as a response to the pandemic, non-executive directors and independent non-executive directors did not attend the general meetings held during the financial years, which constitutes a deviation from code provision C.1.6. Notwithstanding the deviation, the board is of the view that those non-executive directors and independent non-executive directors who were absent from the general meetings has gained personal understandings of and provided their views on proposals tabled at the general meetings either at the board meetings or in the circulars dispatched to the shareholders. With the travel restrictions lifted, the non-executive directors and independent non-executive directors will attend so long as their schedule allows and devote more time to the general meetings in the future.

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 as the acting general manager of the Company, although deviating from code provision 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 circumstances. 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 have since been performed by different persons. The Company has complied with the requirement of code provision C.2.1.

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**”) as its own code of conduct regarding the securities transactions of Directors and Supervisors (the “**Supervisors**”) for the year ended 31 December 2022. The Company had made specific enquiries to all Directors and Supervisors and each of the Directors and Supervisors have confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2022.

Committees of the Board

The Company has established the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee.

Each of the Audit and Corporate Governance Committee, the Remuneration Committee and the Nomination Committee has laid down specific terms of reference, detailing the powers and responsibilities of these committees. All the committees report their decisions or submit their proposals to the Board within their authorities. Under certain circumstances, they have to request for the Board’s approval before taking any actions.

(1) Audit and Corporate Governance Committee

The primary duties of the Audit and Corporate Governance Committee are (among others): to provide advice to the Board regarding the appointment, re-appointment and dismissal of the external auditors; to review and monitor the external auditors as to whether they are independent and objective and whether their auditing procedures are valid in accordance with applicable standards; to monitor the completeness of the financial statements, annual reports and accounts, half-year reports of the Company, and review the material advice in respect of financial reporting as set out in the financial statements and reports; to review the financial control of the Company and review the risk management and internal control systems of the Company; to review the financial and accounting policies and practices of the Company; to formulate the Company’s corporate governance policies, to perform corporate governance functions, and to review and monitor the corporate governance of the Company. The detailed terms of reference of the Audit and Corporate Governance Committee are set out in the Working Rules for the Audit and Corporate Governance Committee of the Board published on the websites of the Stock Exchange and the Company on 7 May 2019.

In the year of 2022, the members of the Audit and Corporate Governance Committee met regularly with the senior management of the Company and external auditors and reviewed the audit reports and financial statements of the Group, and listened to the work reports from the management and financial management department, and provided advice and recommendations to the management. The Audit and Corporate Governance Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2022 and recommended their adoption by the Board.

In the year of 2022, the members of the Audit and Corporate Governance Committee reviewed the effectiveness of the internal control systems (including measures on financial, operational, compliance control and risk management) of the Group by reviewing the work of the internal control and auditing departments of the Company and the external auditors and the report by the Company on risk management and internal auditing as well as reviewing the internal audit plan of the Company, ensuring the efficiency of the business operation of the Company and achieving the goal and strategy of the Company.

As at 31 December 2022, the Audit and Corporate Governance Committee of the eighth session of the Board of the Company comprised two independent non-executive Directors, Mr. Su Wujun and Mr. Shen Jialong, and one non-executive Director, Mr. Chen Chuxuan. Mr. Su Wujun is the chairman of the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee members' attendance records of the Audit and Corporate Governance Committee's meetings for the year ended 31 December 2022 are set out below:

| Member of the committee | Number of meetings required to be attended | Number of meetings attended in person | Number of meetings attended by proxy | Attendance rate |
|--------------------------------|---|--|---|------------------------|
| Mr. Su Wujun | 0 | 0 | 0 | N/A |
| Mr. Chen Chuxuan | 2 | 2 | 0 | 100% |
| Mr. Shen Jialong | 0 | 0 | 0 | N/A |
| Ms. Lu Zhenghua | 2 | 2 | 0 | 100% |
| Mr. Jin Wenzhou | 2 | 2 | 0 | 100% |

Notes:

- (1) The Audit and Corporate Governance Committee held a total of two meetings during the year ended 31 December 2022.
- (2) Mr. Su Wujun, Mr. Shen Jialong and Mr. Chen Chuxuan were appointed as members of the Audit and Corporate Governance Committee of the eighth session of the Board of the Company on 31 August 2022, with Mr. Su Wujun serving as the chairman of the committee.
- (3) Ms. Lu Zhenghua and Mr. Jin Wenzhou resigned from all their positions in the Group on 31 August 2022, including members of the Audit and Corporate Governance Committee of the seventh session of the Board.

Functions of Corporate Governance

The corporate governance policies of the Company were included in other internal regulations and systems of the Company, such as the Articles of Associations, the rules of procedure for the general meeting, the rules of procedure for the Board and the rules of procedure for the Supervisory Committee. The Audit and Corporate Governance Committee has reviewed the disclosures in the Corporate Governance Report of the Company for the year ended 31 December 2022 as per its responsibilities, and reviewed the corporate governance of the Company.

(2) *Remuneration Committee*

The primary duties of the Remuneration Committee are (among others): to advise the Board in respect of the remuneration policy and structure of all the Directors and senior management; to review and approve the remuneration recommendations by the management according to the corporate policies and objectives set by the Board; to recommend to the Board the remuneration packages of Directors and senior management; to assess the performance of the executive Directors; to recommend and establish annual and long-term performance criteria and targets as well as to review and supervise the implementation of all executive compensation packages and employee benefit plans of the Company. The detailed terms of reference of the Remuneration Committee are set out in the Working Rules for the Remuneration Committee of the Board published on the websites of the Stock Exchange and the Company on 26 March 2012.

As at 31 December 2022, the Remuneration Committee of the eighth session of the Board of the Company comprised two independent non-executive Directors, Mr. Zhang Xiangfa and Mr. Su Wujun, and one non-executive Director, Mr. Chen Chuxuan. Mr. Zhang Xiangfa is the chairman of the Remuneration Committee.

The Remuneration Committee members' attendance records of the Remuneration Committee's meetings for the year ended 31 December 2022 are set out below:

| Member of the committee | Number of meetings required to be attended | Number of meetings attended in person | Number of meetings attended by proxy | Attendance rate |
|--------------------------------|---|--|---|------------------------|
| Mr. Zhang Xiangfa | 0 | 0 | 0 | N/A |
| Mr. Su Wujun | 0 | 0 | 0 | N/A |
| Mr. Chen Chuxuan | 3 | 3 | 0 | 100% |
| Mr. Zhan Xiaotong | 3 | 3 | 0 | 100% |
| Ms. Lu Zhenghua | 3 | 3 | 0 | 100% |

Notes:

- (1) The Remuneration Committee held a total of three meetings during the year ended 31 December 2022. The Remuneration Committee reviewed matters such as the remuneration policy and structure of the Company, the remuneration packages of individual directors and senior management, and the performance of executive directors in 2022.
- (2) Mr. Zhang Xiangfa, Mr. Su Wujun and Mr. Chen Chuxuan were appointed as members of the Remuneration Committee of the eighth session of the Board of the Company on 31 August 2022, with Mr. Zhang Xiangfa serving as the chairman of the committee.
- (3) Mr. Zhan Xiaotong and Ms. Lu Zhenghua resigned from all their positions in the Group on 31 August 2022, including members of the Remuneration Committee of the seventh session of the Board.

(3) Nomination Committee

The primary duties of the Nomination Committee are (among others): to provide recommending standards and opinions on Director candidates according to the requirements of the Articles of Association and the Board Diversity Policy, to review the structure and composition of the Board and shall be accountable to the Board. The detailed terms of reference of the Nomination Committee are set out in the Working Rules for the Nomination Committee of the Board published on the websites of the Stock Exchange and the Company on 22 August 2013.

As at 31 December 2022, the Nomination Committee of the eighth session of the Board of the Company had one executive Director, Mr. Guo Junfa, and two independent non-executive Directors, Ms. Huang Yuan and Mr. Zhang Xiangfa. Mr. Guo Junfa is the chairman of the Nomination Committee.

The Nomination Committee members' attendance records of the Nomination Committee's meetings for the year ended 31 December 2022 are set out below:

| Member of the committee | Number of meetings required to be attended | Number of meetings attended in person | Number of meetings attended by proxy | Attendance rate |
|--------------------------------|---|--|---|------------------------|
| Mr. Guo Junfa | 3 | 3 | 0 | 100% |
| Ms. Huang Yuan | 0 | 0 | 0 | N/A |
| Mr. Zhang Xiangfa | 0 | 0 | 0 | N/A |
| Mr. Zhan Xiaotong | 3 | 3 | 0 | 100% |
| Ms. Lu Zhenghua | 3 | 3 | 0 | 100% |

Notes:

- (1) During the year ended 31 December 2022, the Nomination Committee held a total of three meetings to review the structure, size and composition (including their skills, knowledge and experience) of the Board, consider and make recommendations to the Board on the appointment or re-appointment of directors and the appointment of the chief executive officer and assess the independence of independent non-executive Directors.
- (2) Mr. Guo Junfa, Ms. Huang Yuan and Mr. Zhang Xiangfa were appointed as members of the Nomination Committee of the eighth session of the Board of the Company on 31 August 2022, with Mr. Guo Junfa serving as the chairman of the committee.
- (3) Mr. Zhan Xiaotong and Ms. Lu Zhenghua resigned from all their positions in the Group on 31 August 2022, including members of the Nomination Committee of the seventh session of the Board.

BOARD DIVERSITY

The Company is committed to providing equal opportunities to and does not discriminate against candidates for directorship on grounds of gender, family status, disability, nationality, race, ethnicity, age, or any other factor.

The Board has adopted a board diversity policy, and firmly recognizes the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Nomination Committee members consider the board diversity in accordance with the board diversity policy from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills, knowledge and length of service. The ultimate advice on appointment will be made by the Nomination Committee to the Board based on merits of candidates and contribution that the selected candidates will bring to the Board and appointments will be made after submission to the general meetings by the Board for approval.

Currently, the Company already has one female director sitting on the Board and has achieved gender diversity on the Board level. Nonetheless, the Board has set down its goals to appoint more females in the coming future as Board members as part of its effort to achieve diversity, subject to our business development needs and merits of the candidates. The Nomination Committee will continue to monitor and actively consider different aspects of diversity in the boardroom, and recommend further actions or plan to the Board when necessary.

STAFF DIVERSITY

The Group operates in a industry which traditionally had a high concentration of male employees in the talent pool. As at 31 December 2022, the Group had 17,073 employees, among which, the female ratio (defined as the percentage of female employees within the total number of employees) was less than 25%. In spite of the characteristics of the industry, in view of the low female ratio in the staff, the Group has taken and continues to take steps to promote gender diversity at all levels. The include providing equal opportunities to candidates based on their merits, skills and work experience with no regard to their gender and more attention on compatibility between candidates' values and corporate culture. The Group does not discriminate on the grounds of gender, cultural backgrounds, nationality or ethnics. The Group has zero-tolerance policy towards child labor and force labor. The Group is also committed to creating a female-friendly environment and culture at the workplace, offering caregivers more flexibility in terms of work hours. The Group will continue to increase the female ratio in our workforce, and provide equal opportunities for career development and advancement.

SUPERVISORY COMMITTEE

As at 31 December 2022, the supervisory committee of the Company (the “**Supervisory Committee**”) comprised seven members, including two independent Supervisors (namely Mr. Duan Xinhong and Ms. Meng Xue), two shareholder representative Supervisors (namely Mr. Zhou Yihua and Mr. Wang Qingwei) and three Supervisors representing the staff of the Company (namely Mr. Zhen Jianhui, Ms. Li Xiangrong and Ms. Lian Yuebin). The Supervisory Committee is responsible for supervising the Board, the Directors as well as the senior management of the Company, so as to prevent them from abusing their power to damage the lawful rights and interests of the Shareholders, the Company and its employees.

For the year ended 31 December 2022, the Supervisory Committee reviewed and examined the financial position and the legal compliance of the operations of the Company and performed its duties under the principles of due care through conducting special inspections, convening the Supervisory Committee’s meetings and attending the Board meetings.

For the year ended 31 December 2022, the Supervisory Committee held a total of three meetings with an average attendance rate of 100%.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the year ended 31 December 2022, the Company did not redeem any of its shares. Neither the Company nor its subsidiaries repurchased or sold any shares of the Company during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

The Articles of Association and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to Shareholders on a pro-rata basis to their shareholdings.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 17,073 employees (31 December 2021: 20,917) and the staff costs (including remuneration of Directors) of the Group was RMB1,819,000,000 (2021: RMB1,984,000,000) for the year ended 31 December 2022.

The remuneration of the employees of the Group (including the executive Directors) comprises of basic salary, allowance and performance bonus. The basic salary is determined according to the position, work experience, academic background and capacities of the employees. The performance bonus is determined according to the performance assessment results and contribution of the employees. The remuneration of the independent non-executive Directors is determined with reference to the remuneration standards in the capital market for independent non-executive directors of companies with similar business scope and scale. The non-executive Directors have agreed not to receive any remuneration as non-executive Directors.

Auditor

The Company appointed BDO CHINA Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company for the year ended 31 December 2022. BDO CHINA Shu Lun Pan Certified Public Accountants LLP has audited the Group's financial statements for the year of 2022 which were prepared in accordance with the Accounting Standard for Business Enterprises and has issued a standard unqualified audit report.

Disclosure of Information on the Stock Exchange and the Company's Website

This announcement has been published on the website of the Stock Exchange (<http://www.hkexnews.hk>). The annual report for the year ended 31 December 2022 containing the information required under the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange in due course.

The Company maintains its website at <http://www.gdyueyun.com>, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

By order of the Board
Guangdong Yueyun Transportation Company Limited
Guo Junfa
Chairman of the Board

Guangzhou, the PRC
17 March 2023

As at the date of this announcement, the Board comprises Mr. Guo Junfa, Mr. Zhu Fang, Mr. Huang Wenban and Mr. Hu Xianhua as executive directors of the Company, Mr. Chen Min and Mr. Chen Chuxuan as non-executive directors of the Company, and Mr. Su Wujun, Ms. Huang Yuan, Mr. Shen Jialong and Mr. Zhang Xiangfa as independent non-executive directors of the Company.

* *For identification purpose only*