HUAYU EXPRESSWAY GROUP LIMITED
華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1823

ANNUAL REPORT 2013

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Yeung Nam *(Chairman)*
Mai Qing Quan *(Chief Executive Officer)*
Fu Jie Pin
Chen Min Yong
Mao Hui (resigned on 4 June 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

Chu Kin Wang, Peleus *(Chairman)*
Hu Lie Ge
Sun Xiao Nian

NOMINATION COMMITTEE

Sun Xiao Nian *(Chairman)*
Hu Lie Ge
Fu Jie Pin

REMUNERATION COMMITTEE

Hu Lie Ge *(Chairman)*
Chu Kin Wang, Peleus
Fu Jie Pin

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Flat A, Level 17, Block 1
Prince Palace Garden
Changsha City
Hunan Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 919, 9/F
China Merchants Tower
Shun Tak Centre
Sheung Wan
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4/F Royal Bank House,
24 Shedden Road, George Town
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe
43/F, Gloucester Tower,
The Landmark,
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation
Wing Lung Bank

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

For the year ended 31 December

RESULTS	**2013 HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Turnover	**167,758**	138,908	1,124,650	537,631	205,538
Profit/(loss) before taxation	**9,878**	(369,420)	(282,212)	(11,321)	(15,687)
Income tax benefit/(expenses)	**(1,737)**	83,202	64,388	(314)	740
Profit/(loss) for the year	**8,141**	(286,218)	(217,824)	(11,635)	(14,947)
Attributable to:					
Equity shareholders of the Company	**6,362**	(258,726)	(197,800)	(12,069)	(14,385)
Non-controlling interests	**1,779**	(27,492)	(20,024)	434	(562)
	8,141	(286,218)	(217,824)	(11,635)	(14,947)

At 31 December

ASSETS AND LIABILITIES	**2013 HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**1,903,911**	1,892,914	2,186,322	1,253,597	1,041,287
Total liabilities	**(1,661,320)**	(1,666,911)	(1,673,870)	(557,377)	(399,422)
	242,591	226,003	512,452	696,220	641,865
Attributable to:					
Equity shareholders of the Company	**213,984**	200,017	458,951	628,348	610,999
Non-controlling interests	**28,607**	25,986	53,501	67,872	30,866
	242,591	226,003	512,452	696,220	641,865

Chairman Statement

On behalf of the board of directors (the "Board") of Huayu Expressway Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

The Chinese government's stable macro-economic policy, innovative austerity measures, and priority on achieving stable growth had led to overall stability, steady growth and healthy development of the Chinese economy in 2013. I am pleased to report that the financial result of the Group improved remarkably this year. The profit for the equity shareholders of the Company was about HK$6.4 million. It was the first profitable year since our commencement of the operation.

The traffic of the Sui-Yue Expressway (Hunan Section) (the "Expressway") increased substantially during 2013. The toll fee income was about HK$122.3 million, increased by 36.3% from that of 2012. Monthly average traffic was about 297,000 vehicles, of which, about 50% were heavy vehicles. In addition, we are collecting rental income from the service area along the Expressway. Total rental income for the year ended 31 December 2013 was about HK$45.5 million.

In view of the stable growth in the Chinese economy and the improvement of the world financial environment, we are confident about the prospect of the Expressway. Following this growth track, the Group can achieve a positive operating cash flow after interest expenses in the near future and this will continue to improve our financial position.

Although we are currently engaged in one expressway project, our prospects are not limited to that extent. In accordance with our strategy, we will pursue other infrastructure projects in China whenever suitable opportunity arises. Apart from developing new infrastructure projects, we might also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government, if it is commercially viable to do so. Furthermore, we will also consider to extend our operation to include other toll road related businesses once favourable opportunity appears.

On behalf of the Board, I would like to express my sincere gratitude to our management and all staff for their continuous efforts and whole-hearted devotion as well as our shareholders for their support and trust in us.

Chan Yeung Nam
Chairman

Hong Kong, 28 March 2014

2013 was a rewarding year as it was the first year the Group recorded a profit since the commencement of operation. With the steady and stable growth in the Chinese economy, the traffic and the toll fee revenue of the Expressway had increased substantially during the year.

TURNOVER

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$167.8 million, increased by 20.8% from that for the year ended 31 December 2012 of approximately HK$138.9 million. The growth in turnover was mainly because of the increase of toll fee revenue of the Expressway and the rental income from the service area along the Expressway. Total amount of toll fee revenue was about HK$122.3 million, increased by 36.3% from about HK$89.7 million for the year ended 31 December 2012. Average traffic of the Expressway was about 297,000 vehicles per month and of which, over 50% were heavy vehicles. In addition, rental income from the service area along the Expressway contributed a significant amount to the turnover of the Group. It increased from HK$16.2 million for the year ended 31 December 2012 to about HK$45.5 million for this year. The increase was mainly because the Group only commenced collecting rental income from the second half of the year ended 31 December 2012.

GROSS PROFIT

The Group had a gross profit ratio of 65.6% for the year ended 31 December 2013 while the gross profit ratio was about 43.6% for the year ended 31 December 2012. The improvement was mainly attributed by the change of the composition of the turnover of the Group. Since the completion of the construction work of the Expressway, the Group had no more construction revenue, which had only a nominal gross profit ratio of about 2.2%, recorded this year.

OTHER REVENUE AND OTHER NET INCOME/(LOSS)

For the year ended 31 December 2013, the Group recorded other revenue and other net income of approximately HK$0.6 million and HK$18.3 million respectively compared to the other revenue and other net loss of approximately HK$0.4 million and HK$1.3 million for the year ended 31 December 2012. Other revenue of the Group mainly includes the rental income from the billboard along the Expressway and interest income from bank deposits. Other net income/loss represented the exchange gain and the losses from maturity of a derivative financial instrument.

The Group used interest rate swaps to convert the rate from floating to fixed rate basis to hedge part of the Group's underlying exposure. Under the swap agreement, the Group paid a fixed swap rate of 0.68% on notional contract amount of HK$600 million, in exchange for receipts on the same amount at a variable interest rate based on the applicable 3-month HIBOR at the time of payment. The interest rate swap agreement matured in November 2013 and a loss of approximately HK$1.6 million was recognised.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2013 was approximately HK$28.3 million, decreased by 9.2% from that for the year ended 31 December 2012. The decrease was mainly due to the cost saving action after the completion of construction work of the Expressway, especially the reduction of the number of directors specialised in building and construction. In addition, there was a substantial drop in the professional fee after the cessation of the proposed acquisition of the entire issued share capital of Sumgreat Investments Limited in April 2012.

IMPAIRMENT LOSS OF INTANGIBLE ASSET

The Group had assessed the recoverable amount of the cash generating unit containing the Expressway. Since the growth rate of the traffic volume of the Expressway was consistent with the one previously projected in March 2013, the Group considered that it was not necessary to further write down the carrying amount of the intangible asset – service concession arrangement related to the Expressway as at 31 December 2013 (2012: HK$303.3 million).

FINANCE COSTS

For the year ended 31 December 2013, the finance costs of the Group was about HK$90.8 million, decreased by 3.9% from that for the year ended 31 December 2012 of approximately HK$94.5 million. The minor decrease was mainly due to the fluctuation of effective bank loan interest rate.

PROFIT/(LOSS) FOR THE YEAR

As there was substantial growth in the toll fee revenue and no more impairment losses of intangible assets provided for the year ended 31 December 2013, the Group had profit of approximately HK$8.1 million compared to a loss for the year of about HK$286.2 million for the year ended 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2013, the Group financed its operations and capital expenditures by the capital of the Company, long-term secured bank loans and interest free loan from controlling shareholder. As at 31 December 2013, total bank loans drawn by the Group was about HK$1,362.1 million (2012: HK$1,336.6 million) and the total cash and cash equivalents, including bank deposits and cash on hand was amounted to approximately HK$21.1 million (2012: HK$21.8 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2013, total available banking facilities of the Group amounted to HK$1,399.1 million from China Merchants Bank and Wing Lung Bank Limited, which is mainly for the construction cost of the Expressway, among which the outstanding secured bank loan was HK$1,362.1 million (2012: HK$1,336.6 million). The ratio of outstanding bank loans to equity holders' equity was 636.5% (2012: 668.3%).

As at 31 December 2013, the bank loans are repayable as follows:

	2013	2012
	HK$'000	HK$'000
Within 1 year	**608,171**	601,578
After 1 year but within 2 years	**21,020**	24,666
After 2 years but within 5 years	**105,101**	147,996
After 5 years	**627,792**	562,385
	1,362,084	1,336,625

The Group's borrowings were mainly arranged on a floating rate basis. In 2013, the Group used interest rate swaps to convert the rate from floating to fixed rate basis to hedge part of the Group's underlying interest rate fluctuation exposure. In November 2013, the interest rate swap agreement matured. As at 31 December 2013, the Group did not enter into any hedging arrangements to hedge against exposure in interest risk.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash, bank deposits and loans are denominated in Hong Kong dollars.

As at 31 December 2013, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

PLEDGE OF ASSETS

As at 31 December 2013, the banking loans of HK$1,362.1 million from China Merchants Bank and Wing Lung Bank Limited was secured by the pledge of the toll collection right in relation to the Expressway.

CAPITAL COMMITMENTS

As at 31 December 2013, there was no material capital commitments outstanding for the Group.

BUSINESS REVIEW

SUI-YUE EXPRESSWAY (HUNAN SECTION)

The Expressway commenced its operation from the end of 2011. 2013 was the second full year of operation of the Expressway and its performance during the year was encouraging. The traffic reached 297,000 vehicles per month and the average monthly toll fee revenue was about HK$10.0 million. In addition, the rental income from the service area along the Expressway contributed a significant amount to the turnover of the Group.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2013, the Group employed a total of 246 (2012: 221) employees in the PRC and Hong Kong which included management staff, engineers, technicians, etc. For the year ended 31 December 2013, the Group's total expenses on the remuneration of employees was approximately HK$21.4 million (2012: HK$20.8 million).

The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the MPF Scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and the Scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

The Company adopted a share option scheme on 30 November 2009 for the purpose of motivating eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. No options have been granted under the share option scheme as at 31 December 2013.

PROSPECTS

The Expressway is one of the expressways with high economic potential in the PRC. It is strategically located in Hunan Province, which is one of the high economic growth provinces in the PRC. Also, the Expressway will be an integral part of the major artery between Hunan Province and Hubei Province. With the steady and stable growth in the Chinese economy, the management of the Company are full of confidence about the prospect of the Expressway.

With the experience of the Directors in successfully completing other PRC toll-expressway projects, and the connections and reputation established by them with the PRC, the Group will continue to tap and pursue opportunities which are consistent with its overall business strategies, and will aim to generate a satisfactory return on investment.

In accordance with this strategy, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, the Group may also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so. Furthermore, the Group will also consider to extend its operation to include some other toll road related businesses once favourable opportunity appears.

Corporate Governance Report

The Board is committed to maintaining good corporate governance practices and has therefore reviewed the corporate governance policies of the Company with the adoption and improvement of various procedures and documentations which are detailed below.

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. For the year ended 31 December 2013, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2013.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board. Key responsibilities include formulation of the Group's overall strategies and policies, setting of performance targets, evaluation of business performance and oversight of management. The day-to-day management, administration and operation of the Company are delegated to the senior management of the Company. The delegated functions are periodically reviewed. Approvals must be obtained by the Board prior to any significant transactions entered into by senior management.

As at 31 December 2013, the Board comprises four executive directors and three independent non-executive directors. Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report.

Brief details of the attendance of the meetings of the Board of Directors, Board committees and General Meetings held during the year under review were summarised as follows:

	Board *Note*	General Meeting *Note*	Audit Committee *Note*	Remuneration Committee *Note*	Nomination Committee *Note*
Executive Directors					
Chan Yeung Nam	4/4	0/1	N/A	N/A	N/A
Mai Qing Quan	4/4	0/1	N/A	N/A	N/A
Fu Jie Pin	4/4	0/1	N/A	1/1	1/1
Chen Min Yong	4/4	1/1	N/A	N/A	N/A
Independent Non-executive Directors					
Sun Xiao Nian	4/4	0/1	2/2	N/A	1/1
Chu Kin Wang, Peleus	4/4	0/1	2/2	1/1	N/A
Hu Lie Ge	4/4	0/1	2/2	1/1	1/1

Note: Number of meetings attended/Number of meetings held

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. In determining the independence of the independent non-executive Directors, the Board follows the requirements set out in the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent. Pursuant to Rule 3.10 of the Listing Rules, at least one of the independent non-executive directors, Mr. Chu Kin Wang, Peleus, has the appropriate professional qualification or accounting or related financial management expertise.

The Board has developed and reviewed the Company's policies and practices on corporate governance. It includes the review and monitor of the training and continuous professional development of directors and senior management; the Company's policies and practices on compliance with legal and regulatory requirements; the development, review and monitor the code of conduct of the Company's employees and directors; and review the Company's compliance with the code and disclosure in the Corporate Governance Report.

THE ROLES OF CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The division of responsibilities between the chairman of the Board ("Chairman") and the chief executive officer of the Company ("Chief Executive Officer") are clearly defined and have been approved by the Board. The Chairman, Mr. Chan Yeung Nam, leads the Board in the determination of the strategy of the Company and in the achievement of its objectives. He is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda but not involved in the day-to-day business of the Group.

The Chief Executive Officer, Mr. Mai Qing Quan, is directly in charge of the daily operations of the Group and is accountable to the Board for the financial and operational performance of the Group.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service contract with the Company for an initial term of three years, subject to termination in accordance with the provisions of the service contracts or by either party serving the other not less than three months' prior written notice.

In accordance with the Company's articles of association (the "Articles"), each year, one third of the Directors for the time being will retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years at the general meeting.

TERMS OF APPOINTMENT OF DIRECTORS

Each of the Directors (including executive Directors and independent non-executive Directors) has entered into a service contract with the Company for a term of three years commencing from 23 December 2009, renewable upon expiry. No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors have been informed of the requirement under code provision A.6.5 of the CG Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development for the year ended 31 December 2013:

	Training activities undertaken
Executive Directors	
Mr. Chan Yeung Nam	A
Mr. Mai Qing Quan	A
Mr. Fu Jie Pin	A
Mr. Chen Min Yong	A
Independent Non-executive Directors	
Mr. Sun Xiao Nian	A
Mr. Chu Kin Wang Peleus	A and B
Mr. Hu Lie Ge	A

Notes:

A: attending briefing sessions and/or seminars

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

BOARD DIVERSITY POLICY

Pursuant to the new code provisions of the CG Code relating to board diversity which came into effect on 1 September 2013, the Board adopted a new board diversity policy (the "Board Diversity Policy") on 28 August 2013. The Board Diversity Policy ensures the nomination committee of the Company (the "Nomination Committee") nominates and appoints candidates on merit basis, while having appropriate balance of skills and experience necessary to enhance the effectiveness of the Board so to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, industry experience and professional experience.

COMPANY SECRETARY

Mr. Sin Ka Man, the company secretary of the Company (the "Company Secretary"), reports to the Chairman. The details of his biographical is set out in the section headed "Director and Senior Management" of the annual report. Mr. Sin has been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he has taken no less than 15 hours relevant professional training during the financial year.

Name of company secretary	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read materials	Attended Seminars/ Briefings	Read materials	Attended Seminars/ Briefings
Mr. Sin Ka Man	✓	✓	✓	✓

BOARD COMMITTEES

As an integral part of good corporate governance practice, the Board established the following Board Committees to oversee particular aspects of the Group's affairs. Each of these committees comprises entirely of independent non-executive Directors who have been invited to serve as members. These committees are governed by the respective written terms of reference approved by the Board.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") was established on 21 May 2009 with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, all are independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Hu Lie Ge and Mr. Sun Xiao Nian. Mr. Chu Kin Wang, Peleus is the Chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2013, including the accounting principles and practice adopted by the Group.

The primary duties of the Audit Committee are mainly to make recommendations to the board on the appointment, reappointment and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the external auditor regarding the nature and scope of the audit and reporting obligations before the audit commences; to develop and implement policy on engaging an external auditor to supply non-audit services, identifying and making recommendations on any matters where action or improvement is needed; to monitor integrity of the Company's financial statements, annual report, accounts and half-year report; and to review significant financial reporting judgements contained in them.

During the year ended 31 December 2013, the Audit Committee held two meetings and the Audit Committee reviewed the interim and annual results and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; and assisted the Board in meeting its responsibilities for maintaining an effective system of internal control.

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Remuneration Committee comprises three members, namely Mr. Hu Lie Ge, Mr. Chu Kin Wang, Peleus and Mr. Fu Jie Pin. Mr. Hu Lie Ge, an independent non-executive Director, is the chairman of the remuneration committee.

The primary duties of the Remuneration Committee are to make recommendations to the board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, to make recommendations to the board on the remuneration of non-executive Directors; taking into account salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and to ensure that no director or any of his associates is involved in deciding his own remuneration. The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, the aggregate amount for all executive Directors shall not exceed 10% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee. The Remuneration Committee has held one meeting to review and approve the remuneration packages of Directors and senior management of the Group for the year ended 31 December 2013.

NOMINATION COMMITTEE

The Nomination Committee of the Company was established on 21 May 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Nomination Committee comprises three members, namely Mr. Sun Xiao Nian, Mr. Hu Lie Ge and Mr. Fu Jie Pin. Mr. Sun Xiao Nian, an independent non-executive Director, is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer. The Nomination Committee is also responsible for reviewing the Board Diversity Policy annually, to ensure the continued effectiveness of the Board. It will also give consideration to the Board Diversity Policy when identifying suitable qualified candidates to become members of the Board.

The Nomination Committee has held one meeting for the year ended 31 December 2013 to nominate the members of Board for retirement and re-election at the forthcoming annual general meeting, to review, the structure, size and composition of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration bands	Number of persons
HK$Nil to HK$1,000,000	4

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group. However, the above statement should be read in conjunction with, but distinguished from, the independent auditors' report in the section headed "Independent Auditor's Report" which acknowledges the reporting responsibilities of the Group's auditors.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the remuneration paid or payable to the Group's auditors, KPMG, in respect of the services provided are as follows:

	HK$'000
Audit and review services	2,084
Other services	–
Total	2,084

INTERNAL CONTROL

The Board acknowledges its responsibilities to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Group.

During the year, the Board has conducted reviews of the internal control system of the Company and considered the internal control system of the Company has implemented effectively. During the year ended 31 December 2013, the Board reviewed the effectiveness of the Group's internal control system. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the Group's adequacy of resources, qualifications and experience of staff in its accounting and financial reporting functions, and their training programmes and budget.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognises the importance of maintaining clear, timely and effective communication with shareholders of the Company and its investors. The Board also recognises effective communication with investors is the key to establish investors' confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate correspondence on the Company's website www.huayu.com.hk. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and the members of the various board committees would attend and answer questions raised on the annual general meeting of the Company. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

VOTING BY POLL

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The results of the voting by poll would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

Pursuant to article 57 of the Articles, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. The Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

Any Shareholder who wish to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 7 days prior to the date of a general meeting through the Company Secretary whose contact details are set out in the paragraph "Procedures for directing shareholders' enquiries to the Board" below.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Huayu Expressway Group Limited
Room 919, 9/F, China Merchants Tower, Shuk Tak Centre, Sheung Wan, Hong Kong
Email: kenneth.sin@huayu.com.hk
Tel No.: +852 2559 1210
Fax No.: +852 2559 1026

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to respond to such enquires.

CONSTITUTIONAL DOCUMENTS

As at 31 December 2013, the Group confirmed that there has been no change to the memorandum of association of the Company and the Articles.

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam（陳陽南）, aged 58, is an executive Director and the Chairman of the Board. Mr. Chan is the founder of the Group and was appointed as executive Directors in April 2009. He is responsible for the overall management, development and planning of the Group. He is also responsible for assessing and analyzing investment opportunities involving other infrastructure projects when they arise. Mr. Chan graduated from Sun Yat-Sen University. He has more than 16 years of experience in the development, operation and management of highways.

Mr. Mai Qing Quan（麥慶泉）, aged 64, is an executive Director and the Chief Executive Officer. He joined the Group in May 2009. Mr. Mai is responsible for the negotiation and communication with the relevant governmental bodies in the PRC. He is also responsible for overseeing the infrastructure projects of the Group. Mr. Mai graduated from Hunan Normal College. He has over 9 years of experience in investment, construction and operation of expressway projects in the PRC.

Mr. Fu Jie Pin（符捷頻）, aged 46, joined the Company as an executive Director in May 2009. Mr. Fu is responsible for project investment analysis, commercial negotiation and coordination and investment capital operation. Mr. Fu graduated from Sun Yat-Sen University with a bachelor's degree in electronics and information system in 1989. He has over 16 years of experience in development, operation and management of highways in the PRC.

Mr. Chen Min Yong（陳民勇）, aged 44, joined the Company as an executive Director in May 2009. Mr. Chen was responsible for project development and the establishment of the toll collection system for the highway projects of the Group. He will also be responsible for overseeing the operation of the toll collection management system of the toll roads of the Group when they commence operation. He graduated from 重慶建築工程學院 (Chongqing Institute of Architectural Engineering)*, currently part of the Chongqing University, with a bachelor's degree in engineering majoring in construction material and product. He then completed a graduate program at 長沙交通學院 (Changsha Communications Institute)* majoring in transportation and management in 2001. Mr. Chen has over 15 years of experience in operation and management of highway projects.

* *The English translation is for reference only. The official name of the university, college, institution or organisation is in Chinese.*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Xiao Nian（孫小年）, aged 49, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in automobiles and transport from 吉林工業大學 (Jilin University of Technology)*, currently part of the Jilin University. He then further obtained his doctor degree in transportation planning and management from Tongji University. He is a senior engineer of professor's level accredited by the 廣東省人事廳 (Guangdong Province Personnel Bureau)* in 2003 and a registered consultant engineer accredited by the Ministry of Personnel of the PRC. He is now the vice chief engineer and the head of technical consultation centre of the China Academy of Transportation Sciences.

Mr. Chu Kin Wang, Peleus（朱健宏）aged 49, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in business administration from the University of Hong Kong. Mr. Chu is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountant, a fellow member of the Association Chartered Certified Accountants and an associate of Hong Kong Institute of Company Secretary and Administrators. Mr. Chu is a director of Chinese People Holdings Company Limited, Flyke International Holdings Limited, China Vehicle Components Technology Holdings Limited and EYANG Holdings (Group) Co., Limited, all of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chu is also a director of Telecom Service One Holdings Limited and EDS Wellness Holdings Limited, all of which are companies listed on the Growth Enterprise Market of Stock Exchange.

Mr. Hu Lie Ge（胡列格）aged 60, joined the Company as an independent non-executive Director in May 2009. He graduated from 長沙交通學院 (Changsha Communications Institute)* in Mathematical Mechanics and completed a graduate course in Probability Theory and Mathematics Statistics at 長沙鐵道學院 (Changsha Railway University)*, currently part of Central South University. Mr. Hu was once the Head of the 交通運輸學院 (College of Transportation and Communications)* in Changsha University of Science and Technology and is now a member of 湖南省促進物流業發展專家委員會 (Hunan Province Committee for Facilitation of the Development of the Logistics Industry)*.

SENIOR MANAGEMENT

Mr. Gan Xian Hui（甘先會）aged 44, joined the Group as a chief contract budget controller in 2008. Mr. Gan is responsible for controlling contract budget and organisation of invitations to tender. He graduated from 西安冶金建築學院 (Xi'an Institute of Metallurgy and Construction)*, currently known as Xi'an University of Architecture and Technology, with a bachelor degree in engineering majoring in industrial and civil architecture. Mr. Gan has over 14 years of experience in the management of construction projects.

Mr. Chen Jing An（陳景安）aged 65, joined the Group as a chief engineer in 2008. Mr. Chen is responsible for road construction design and technical management. He is a senior engineer major in railway engineering. He has over 16 years of experience in the design and technical management of highways projects in the PRC.

Ms. Liu Dan Yi（劉丹宜）aged 53, joined the Group as a general manager of human resources and administration in 2007. She is responsible for the administration management, human resources management and back-office management of the Group. Ms. Liu obtained her master degree in engineering from Shanghai Jiao Tong University. She has over 25 years experience in administration and human resources.

* *The English translation is for reference only. The official name of the university, college, institution or organisation is in Chinese.*

COMPANY SECRETARY

Mr. Sin Ka Man（冼家敏）aged 46, was appointed as the company secretary of the Company on 3 July 2009. Mr. Sin has over 21 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (the "HKICPA") (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained his bachelor degree in Social Sciences from the University of Hong Kong in December 1989, master degree in Finance from the University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2013.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is incorporated and domiciled in Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong Room 919, 9/F, China Merchants Tower, Shun Tak Centre, Sheung Wan, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 12 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the Group have no major customer information to disclose as the Expressway is open to public. No further disclosure with regard to the Group's suppliers are made since there is normally no major purchase in its ordinary course of business.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 32 to 96.

RESERVES

Details of movements in the reserve of the Company during the year ended 31 December 2013 are set out in note 19 to the consolidated financial statements.

Profit attributable to shareholders of the Company HK$8,141,000 (2012: Loss of HK$286,218,000) have been transferred to reserves. Other movements in reserve are set out in consolidated statement of changes in equity.

No dividend was declared nor paid for the year ended 31 December 2013 (2012: HK$Nil).

CHARITABLE DONATIONS

No charitable donations were made by the Group during the year ended 31 December 2013 (2012: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets during the year ended 31 December 2013 are set out in note 10 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2013 are set out in note 19 to the consolidated financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries since the listing date until 31 December 2013.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The directors during the financial year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam
Mr. Mai Qing Quan
Mr. Fu Jie Pin
Mr. Chen Min Yong
Ms. Mao Hui (resigned on 4 June 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Xiao Nian
Mr. Chu Kin Wang, Peleus
Mr. Hu Lie Ge

In accordance with article 83 of the Articles, any director appointed by the Board to fill a casual vacancy or as an additional director shall hold office only until the next following general meeting of the Company.

By virtue of articles 84 and 85 of the Articles, Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lei Ge will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the executive and independent non-executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 23 December 2009 and thereafter may be terminated by either party upon a three months' prior written notice.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Name of director	Nature of interest	Number of shares (ordinary shares)	Percentage
Mr. Chan Yeung Nam *(Note)*	Interest in controlled corporation	300,000,000	72.71%

Note: Mr. Chan Yeung Nam is deemed to be interested in 300,000,000 shares of the Company held by Velocity International Limited by virtue of it being controlled by Mr. Chan Yeung Nam.

Apart from the forgoing, as at 31 December 2013, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies or subsidiaries a party to any arrangements to enable any directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme on 30 November 2009 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The details of the principal terms and conditions of the share option scheme were summarised in the section headed "Share Option Scheme" in Appendix VII to the prospectus.

Since the option scheme became effective on 30 November 2009, no options have been granted by the Company under the Share Option Scheme.

Apart from the forgoing, at no time during the year was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, so far as it is known to any director or chief executive of the Company, the persons (other than the directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of shareholders	Long position in ordinary shares held	Percentage of total issued shares
Velocity International Limited *(Note)*	300,000,000	72.71%

Note: The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive director and the chairman of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issue shares as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2013 are set out in note 17 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000. Contributions to the plan vest immediately.

The employees of the subsidiaries in the People's Republic of China are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of their payroll to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to retirement schemes charged to the income statement during the year ended 31 December 2013 amounted to HK$2,832,000 (2012: HK$2,408,000).

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

CORPORATE GOVERNANCE CODE

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2013, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code for for the year ended 31 December 2013.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditor the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2013.

AUDITORS

KPMG will retire and being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the board

Chan Yeung Nam
Chairman
Hong Kong, 28 March 2014

Independent auditor's report to the shareholders of Huayu Expressway Group Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Huayu Expressway Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 32 to 96, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements which indicates that as of 31 December 2013, the Group's current liabilities exceed its current assets by approximately $798,334,000. As explained in note 1(b) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers, the controlling shareholder and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. These conditions, along with other matters as set forth in note 1(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss

for the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	3	**167,758**	138,908
Cost of sales		**(57,723)**	(78,404)
Gross profit		**110,035**	60,504
Other revenue	4	**604**	403
Other net income/(loss)	4	**18,295**	(1,321)
Administrative expenses		**(28,298)**	(31,173)
Impairment loss of intangible asset		**–**	(303,345)
Profit/(loss) from operations		**100,636**	(274,932)
Finance costs	5(a)	**(90,758)**	(94,488)
Profit/(loss) before taxation	5	**9,878**	(369,420)
Income tax	6(a)	**(1,737)**	83,202
Profit/(loss) for the year		**8,141**	(286,218)
Attributable to:			
Equity shareholders of the Company		**6,362**	(258,726)
Non-controlling interests		**1,779**	(27,492)
Profit/(loss) for the year		**8,141**	(286,218)
Profit/(loss) per share (HK cents)			
Basic and diluted	9	**1.54**	(62.71)

The notes on pages 40 to 96 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year	**8,141**	(286,218)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of		
– financial statements of subsidiaries outside Hong Kong	**8,447**	(231)
Total comprehensive income for the year	**16,588**	(286,449)
Attributable to:		
Equity shareholders of the Company	**13,967**	(258,934)
Non-controlling interests	**2,621**	(27,515)
Total comprehensive income for the year	**16,588**	(286,449)

The notes on pages 40 to 96 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	10	**24,273**	28,765
Intangible asset – service concession arrangement	11	**1,696,673**	1,680,888
Deferred tax assets	18	**152,471**	149,556
		1,873,417	1,859,209
Current assets			
Prepayments and other receivables	13	**9,352**	11,896
Cash at bank and on hand	14(a)	**21,142**	21,809
		30,494	33,705
Current liabilities			
Derivative financial instrument	15	**–**	1,966
Accruals and other payables	16	**204,653**	259,657
Amount due to related companies	23(c)	**16,004**	2,306
Bank loans	17	**608,171**	601,578
		828,828	865,507
Net current liabilities		**(798,334)**	(831,802)
Total assets less current liabilities		**1,075,083**	1,027,407
Non-current liabilities			
Bank loans	17	**753,913**	735,047
Amount due to the controlling shareholder of the Company	23(c)	**78,579**	66,357
		832,492	801,404
NET ASSETS		**242,591**	226,003

Consolidated Statement of Financial Position

at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES	19		
Share capital		**4,126**	4,126
Reserves		**209,858**	195,891
Total equity attributable to equity shareholders of the Company		**213,984**	200,017
Non-controlling interests		**28,607**	25,986
TOTAL EQUITY		**242,591**	226,003

Approved and authorised for issue by the board of directors on 28 March 2014.

Chan Yeung Nam
Director

Mai Qing Quan
Director

The notes on pages 40 to 96 form part of these financial statements.

Statement of Financial Position

at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	12	**122,692**	122,692
Current assets			
Amounts due from subsidiaries		**121,346**	125,817
Cash and cash equivalents	14(a)	**2,069**	827
		123,415	126,644
Current liabilities			
Amounts due to subsidiaries		**2,672**	2,672
Accruals and other payables	16	**3,350**	3,342
		6,022	6,014
Net current assets		**117,393**	120,630
Total assets less current liabilities		**240,085**	243,322
Non-current liabilities			
Amount due to the controlling shareholder of the Company	23(c)	**30,760**	28,517
NET ASSETS		**209,325**	214,805

Statement of Financial Position

at 31 December 2013

	Note	**2013 HK$'000**	2012 HK$'000
CAPITAL AND RESERVES	19		
Share capital		**4,126**	4,126
Reserves		**205,199**	210,679
TOTAL EQUITY		**209,325**	214,805

Approved and authorised for issue by the board of directors on 28 March 2014.

Chan Yeung Nam	**Mai Qing Quan**
Director	*Director*

The notes on pages 40 to 96 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Share capital HK$'000 (Note 19(c))	Share premium HK$'000 (Note 19(d)(i))	Other reserve HK$'000 (Note 19(d)(ii))	Exchange reserve HK$'000 (Note 19(d)(iii))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
		Attributable to equity shareholders of the Company							
Balance at 1 January 2013		4,126	130,044	502,784	49,246	(486,183)	200,017	25,986	226,003
Changes in equity for 2013:									
Profit for the year		–	–	–	–	6,362	6,362	1,779	8,141
Other comprehensive income									
– Exchange differences		–	–	–	7,605	–	7,605	842	8,447
Total comprehensive income for the year		–	–	–	7,605	6,362	13,967	2,621	16,588
Balance at 31 December 2013		4,126	130,044	502,784	56,851	(479,821)	213,984	28,607	242,591
Balance at 1 January 2012		4,126	130,044	502,784	49,454	(227,457)	458,951	53,501	512,452
Changes in equity for 2012:									
Loss for the year		–	–	–	–	(258,726)	(258,726)	(27,492)	(286,218)
Other comprehensive income									
– Exchange differences		–	–	–	(208)	–	(208)	(23)	(231)
Total comprehensive income for the year		–	–	–	(208)	(258,726)	(258,934)	(27,515)	(286,449)
Balance at 31 December 2012		4,126	130,044	502,784	49,246	(486,183)	200,017	25,986	226,003

The notes on pages 40 to 96 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Net cash generated from operating activities	14(b)	**82,922**	46,212
Investing activities			
Payment for the purchase of property, plant and equipment		**(429)**	(31,987)
Payment for intangible asset		**(9,743)**	(218,478)
Interest received		**84**	92
Net cash used in investing activities		**(10,088)**	(250,373)
Financing activities			
Proceeds from bank loans		**–**	117,913
Proceeds from released restricted cash		**8,762**	–
Repayment of bank loans		**(2,813)**	–
Increase in amount due to the controlling shareholder of the Company		**12,222**	28,674
Interest paid		**(84,332)**	(88,808)
Net cash (used)/generated from financing activities		**(66,161)**	57,779
Net increase/(decrease) in cash and cash equivalents		**6,673**	(146,382)
Cash and cash equivalents at 1 January		**13,176**	159,588
Effect of foreign exchange rate changes		**1,293**	(30)
Cash and cash equivalents at 31 December	14(a)	**21,142**	13,176

The notes on pages 40 to 96 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2013 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for derivative financial instruments.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

At 31 December 2013, the Group's net current liabilities were $798,334,000. The Group is dependent upon the financial support from the bankers, the controlling shareholder and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months and to meet its obligations, as and when they fall due, having regard to the following:

i. the Group expects to generate positive operating cash flows for the next twelve months;

ii. among the current liabilities, $594,157,000 were bank loans fall due in 2016 with payment on demand terms. The Group has secured a contractual right to draw down from a long-term secured bank loan facility from another bank should the loan be recalled on demand by the bank;

iii. advance receipt of $66,775,000 represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;

iv. the controlling shareholder of the Company has undertaken that repayment of advances of $78,579,000 at 31 December 2013 will not be requested in the following 12 months;

v. while the Group is applying for additional bank loans, the controlling shareholder confirms to provide adequate financial support to the Company as is necessary to ensure its continuing operation for a period of at least 12 months from 31 December 2013.

Consequently, the financial statements have been prepared on a going concern basis.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

HKFRS 10, *Consolidated financial statements*

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 13, *Fair value measurement*

Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting year. Impacts of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, *Fair value measurement*

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) CHANGES IN ACCOUNTING POLICIES (continued)

Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32. The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

(D) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(D) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(k) or (l) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(E) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Toll station and ancillary equipment	5 – 10 years
– Other machinery and equipment	5 years
– Motor vehicles	5 years
– Furniture and fixtures	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(G) INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

The Group has entered into contractual service arrangement with local government authorities for its participation in the construction, operation and management of an expressway in the PRC. The Group carries out the construction of an expressway for the granting authorities and receives in exchange for the right to operate the expressway concerned and the entitlement to toll fees collected from users of the concession infrastructure.

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. The concession grantor has not provided any contractual guarantee in respect of the amounts of construction costs incurred to be recoverable. Intangible assets received as consideration for providing construction work and project management services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and impairment losses (see note 1(i)).

Land collection costs incurred in conjunction with the service concession arrangement are recognised as intangible assets acquired under the service concession arrangement.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(G) INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (continued)

Amortisation is calculated to write off the cost of intangible assets arising from a service concession arrangement on a unit of usage basis over the estimated useful life, which is the period when it is available for use to the end of the concession period. Where an item of infrastructure assets included in the intangible asset arising from a service concession arrangement has different period of expected future economic benefits flowing to the Group than the concession period, it is amortised separately.

Both the period and method of amortisation are reviewed annually.

(H) OPERATING LEASE CHARGES

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(I) IMPAIRMENT OF ASSETS

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is measured as the difference between their carrying amounts and the present value of estimated future cash flows, discounted at their original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated cash flows such as significant financial difficulty of the debtor.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible asset – service concession arrangement;

– investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of other assets (continued)

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(J) RECEIVABLES

Receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(i)).

(K) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(L) PAYABLES

Payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(N) EMPLOYEE BENEFITS

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(O) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(O) INCOME TAX (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if (the Company or) the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(P) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenues and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from construction work and project management services under the service concession arrangement

Revenue from construction work and project management services under the service concession arrangement is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The stage of completion is measured by reference to the construction costs and project management fees incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) Toll revenue

Toll revenue from operation of toll road is recognised on a receipt basis, net of business tax and surcharges.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(R) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

The results of the foreign operation are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(S) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(T) RELATED PARTIES

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) RELATED PARTIES (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(U) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocation resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(U) SEGMENT REPORTING (continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business segment, the construction, operation and management of an expressway in the PRC. Accordingly, no segmental analysis is presented.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 20 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(A) CONSTRUCTION REVENUE RECOGNITION RELATING TO SERVICE CONCESSION ARRANGEMENT

In accordance with Hong Kong (IFRIC) Interpretation 12 Service Concession Arrangements, income and expenses associated with construction work and project management provided under the concession service arrangement are recognised in accordance with Hong Kong Accounting Standard 11 Construction Contracts using the percentage of completion method. Revenue generated by construction work and project management services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact that there was no real cash inflow realised/realisable during the construction phase of the infrastructure assets under the service concession arrangement, in order to determine the construction revenue to be recognised during the year, the directors of the Company made estimates of the respective amounts by making reference to the management service fees derived from the Group's provision of project management services in relation to the Sui-Yue Expressway (Hunan Section) without the corresponding grant of the related toll road operating rights and entitlement to future toll revenues.

The directors of the Company have drawn an analogy of the construction of toll road under the service concession arrangement as if the Group were providing project management services for the construction of toll road. Accordingly, construction revenue under the respective service concession arrangement is recognised at the total expected construction costs of the toll road plus management fees, computed at an estimated percentage of the costs.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(A) CONSTRUCTION REVENUE RECOGNITION RELATING TO SERVICE CONCESSION ARRANGEMENT (continued)

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant independent party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans. In ascertaining the amount of management fees, the directors have made reference to the practice for determining management fees for management construction contracts transacted by the Group, whereby the fee is determined as an estimated percentage on the total budgeted costs of the project. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(B) IMPAIRMENT

If circumstances indicate that the carrying amount of property, plant and equipment and intangible assets may not be recoverable, these assets may be considered "impaired" and an impairment loss may be recognised in profit or loss. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, the expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of future toll revenue and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of toll revenue and the amount of operating costs, and discount rate.

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

(C) AMORTISATION OF INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

The Group applied IFRIC 12 and recognised intangible asset – service concession arrangement and provides amortisation thereon.

Amortisation of intangible asset – service concession arrangement is provided on unit of usage over the concession period. Material adjustments may need to be made to the carrying amounts of intangible assets – service concession arrangement should there be a material difference between total projected traffic volume and the actual results.

The directors perform a periodic assessment of the total projected traffic volume and will prospectively adjust the amortisation unit according to revised projected traffic volume.

3 TURNOVER

The principal activities of the Group are construction, operation and management of an expressway in the PRC.

Turnover during the year represented revenue from operation of the expressway under the service concession arrangement and leasing of service zone. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013	2012
	HK$'000	HK$'000
Construction revenue in respect of service concession arrangements	**–**	32,966
Toll income	**122,258**	89,694
Rental income	**45,500**	16,248
	167,758	138,908

4 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2013 HK$'000	2012 HK$'000
Other revenue		
Billboard rental income	**520**	311
Interest income from bank deposits	**84**	92
	604	403
Other net income/(loss)		
Exchange gain	**19,386**	37
Change in fair value of a derivative	**–**	(1,631)
Losses from maturity of a derivative	**(1,567)**	–
Others	**476**	273
	18,295	(1,321)

5 PROFIT/(LOSS) BEFORE TAXATION

PROFIT/(LOSS) BEFORE TAXATION IS ARRIVED AT AFTER CHARGING:

	2013 HK$'000	2012 HK$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	**51,847**	55,777
Interest on bank loans repayable beyond five years	**38,911**	38,711
Total interest expense on bank loans	**90,758**	94,488

* There is no borrowing costs capitalised for the year ended 31 December 2013 (2012: Nil).

5 PROFIT/(LOSS) BEFORE TAXATION (continued)

PROFIT/(LOSS) BEFORE TAXATION IS ARRIVED AT AFTER CHARGING: (continued)

		2013 HK$'000	2012 HK$'000
(b)	Staff costs:		
	Salaries, wages and other benefits	**18,525**	18,378
	Contributions to defined contribution retirement plans	**2,832**	2,408
		21,357	20,786

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary participates in a defined contribution retirement benefit scheme ("the Scheme") organised by the local authority whereby the PRC subsidiary is required to make contributions to the Scheme at a fixed rate announced annually by the municipal government. The municipal government is responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

5 PROFIT/(LOSS) BEFORE TAXATION (continued)

PROFIT/(LOSS) BEFORE TAXATION IS ARRIVED AT AFTER CHARGING: (continued)

The Group has no other material obligation for the payment of pension benefits associated with the schemes referred to above beyond the annual contributions described above.

		2013 HK$'000	2012 HK$'000
(c)	Other items:		
	Auditors' remuneration		
	– Audit and review services	**2,084**	1,850
	Depreciation (note 10)	**5,410**	5,390
	Amortisation (note 11)	**36,238**	28,857
	Impairment loss of intangible asset (note 11)	**–**	303,345
	Operating lease charges in respect of rental of office premises	**925**	1,429

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(A) TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS:

	2013 HK$'000	2012 HK$'000
Deferred tax		
Reversal and origination of temporary differences (note 18)	**1,737**	(83,202)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

(A) TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS REPRESENTS: (continued)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2013 and 2012.

(iii) Pursuant to the income tax laws and regulations of the People's Republic of China (the "PRC"), the company's subsidiary in the PRC is subject to PRC corporate income tax at a rate of 25% (2012: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the subsidiary used its accumulated tax losses carried from previous years. Deferred tax reversal and origination are in connection with the impairment provision and construction profit recognised in intangible asset-service concession arrangement.

(B) RECONCILIATION BETWEEN TAX CREDITS AND ACCOUNTING PROFIT/(LOSS) AT APPLICABLE TAX RATES:

	2013 **HK$'000**	2012 HK$'000
Profit/(loss) before taxation	**9,878**	(369,420)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to losses in the tax jurisdictions concerned	**4,195**	(90,202)
Tax effect on tax losses not recognised	**687**	7,000
Use of tax losses carried from previous years	**(3,145)**	–
Income tax	**1,737**	(83,202)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Year ended 31 December 2013

	Directors' fees $'000	Salaries, allowances and other benefits in kind $'000	Retirement scheme contributions $'000	Discretionary bonuses $'000	Total $'000
Executive directors					
Mr Chan Yeung Nam	1,211	987	22	165	2,385
Mr Mai Qing Quan	909	863	–	148	1,920
Mr Fu Jie Pin	606	637	87	106	1,436
Mr Chen Min Yong	454	212	88	35	789
Ms Mao Hui	192	–	–	–	192
Independent non-executive directors					
Mr Sun Xiao Nian	63	–	–	–	63
Mr Chu Kin Wang, Peleus	152	–	–	–	152
Mr Hu Lie Ge	63	–	–	–	63
Total	3,650	2,699	197	454	7,000

7 DIRECTORS' REMUNERATION (continued)

Year ended 31 December 2012

	Directors' fees $'000	Salaries, allowances and other benefits in kind $'000	Retirement scheme contributions $'000	Discretionary bonuses $'000	Total $'000
Executive directors					
Mr Chan Yeung Nam	1,180	970	22	162	2,334
Mr Mai Qing Quan	885	875	–	73	1,833
Mr Chen Kai Shu	49	688	–	70	807
Mr Fu Jie Pin	590	626	76	104	1,396
Mr Chen Min Yong	443	208	74	35	760
Mr Zhang Bo Qing	37	188	61	34	320
Mr Yue Feng	37	–	–	–	37
Ms Mao Hui	443	195	22	19	679
Independent non-executive directors					
Mr Sun Xiao Nian	61	–	–	–	61
Mr Chu Kin Wang, Peleus	148	–	–	–	148
Mr Hu Lie Ge	61	–	–	–	61
Total	3,934	3,750	255	497	8,436

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2012: four) are directors whose emoluments are disclosed in note 7 above.

The aggregate of the emoluments in respect of the remaining one (2012: one) individual is as follows:

	2013 **$'000**	2012 $'000
Salaries and other emoluments	**960**	960
Discretionary bonuses	**80**	80
Retirement scheme contributions	**14**	14
	1,054	1,054

The emolument of the one (2012: one) individual with the highest emolument is within the following bands:

	2013 **Number of individuals**	2012 Number of individuals
$1,000,001 – $1,500,000	**1**	1

9 PROFIT/(LOSS) PER SHARE

(A) PROFIT/(LOSS) PER SHARE

	2013	2012
	'000	'000
Issued ordinary shares at 1 January	**412,608**	412,608
Weighted average number of ordinary shares at 31 December	**412,608**	412,608

The calculation of profit per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK$6,362,000 (2012: loss of HK$258,726,000) and the weighted average number of 412,608,000 (2012: 412,608,000) shares in issue during the year.

(B) DILUTED PROFIT/(LOSS) PER SHARE

There were no dilutive potential ordinary shares during the years presented and, therefore, diluted profit/(loss) per share is equivalent to basic profit/(loss) per share.

10 PROPERTY, PLANT AND EQUIPMENT

The Group:

	Toll station and ancillary equipment $'000	Other machinery and equipment $'000	Motor vehicles $'000	Furniture and fixtures $'000	Total $'000
Cost:					
At 1 January 2012	–	–	3,607	419	4,026
Additions	25,992	1,703	363	3,930	31,988
Disposals	–	–	(450)	–	(450)
Exchange adjustments	82	5	(1)	12	98
At 31 December 2012	26,074	1,708	3,519	4,361	35,662
At 1 January 2013	26,074	1,708	3,519	4,361	35,662
Additions	–	–	328	101	429
Disposals	–	–	–	(396)	(396)
Exchange adjustments	816	53	113	133	1,115
At 31 December 2013	26,890	1,761	3,960	4,199	36,810
Accumulated depreciation:					
At 1 January 2012	–	–	1,429	230	1,659
Charge for the year	3,782	207	623	778	5,390
Written back on disposals	–	–	(170)	–	(170)
Exchange adjustments	12	1	3	2	18
At 31 December 2012	3,794	208	1,885	1,010	6,897
At 1 January 2013	3,794	208	1,885	1,010	6,897
Charge for the year	3,851	312	547	700	5,410
Written back on disposals	–	–	–	(71)	(71)
Exchange adjustments	181	11	67	42	301
At 31 December 2013	7,826	531	2,499	1,681	12,537
Net book value:					
At 31 December 2013	19,064	1,230	1,461	2,518	24,273
At 31 December 2012	22,280	1,500	1,634	3,351	28,765

11 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	The Group	
	2013	2012
	$'000	$'000
Cost:		
At 1 January	**2,288,894**	2,211,923
Additions	**–**	77,086
Exchange adjustments	**71,638**	(115)
At 31 December	**2,360,532**	2,288,894
Accumulated amortisation:		
At 1 January	**29,242**	294
Charge for the year	**36,238**	28,857
Exchange adjustments	**1,500**	91
At 31 December	**66,980**	29,242
Impairment loss:		
At 1 January	**578,764**	275,464
Charge for the year	**–**	303,345
Exchange adjustment	**18,115**	(45)
At 31 December	**596,879**	578,764
Net book value:		
At 31 December	**1,696,673**	1,680,888

The service concession arrangement represents the Group's rights to operate the Sui-Yue Expressway (Hunan Section) (the "Expressway") and receive toll fees therefrom.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (continued)

In accordance with the accounting policy set out in note 1(g), the amortisation of intangible asset-service concession arrangement is recognised in profit or loss on a unit of usage basis over the estimated useful life, which is the period when it is available for use to the end of the concession period.

IMPAIRMENT LOSS

The impairment previously recognised were determined by the estimation of recoverable amount compared to its carrying value as at 31 December 2012. Management has updated the valuation as at 31 December 2013, taking into account the changing of market factors and actual operating result of the expressway. No further impairment is recognised in 2013.

The recoverable amount of the CGU was determined by the value in use, based on the expected free cash flow up to the end of the service concession arrangement period, and a post-tax discount rate of 13.5% (equivalent to a pre-tax discount rate of 15.8%) (2012: a post-tax discount rate of 12.5% (equivalent to a pre-tax discount rate of 14.2%)).

The impairment loss was fully allocated to the intangible asset – service concession arrangement.

Key assumptions used for the value in use calculation are as follows:

	2013	2012
Remaining period of operation	**25 years**	26 years
Average annual toll revenue growth rate over the concession period	**5.0%**	8.9%
Discount rate	**13.5%**	12.5%

DISCOUNT RATE

The discount rate is a post-tax measure estimated using the Capital Asset Pricing Model ("CAPM") based on the industry average ratios and the CGU's specific risks.

11 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (continued)

AVERAGE ANNUAL TOLL REVENUE GROWTH RATE OVER THE CONCESSION PERIOD

The toll revenue growth rate was determined based on forecasted traffic volume growth and increase in toll rate. The increase in traffic volume was resulted from an increase in estimated GDP growth rate in central China region.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

According to the valuation result, the recoverable amount of the intangible asset – service concession arrangement is approximated to its carrying amount. Any adverse movement in a key assumption would lead to a further impairment. A sensitivity analysis on the discount rate and toll revenue has been performed by the Directors as follows.

At 31 December 2013, it is estimated that an increase/decrease of 1% in discount rate, with all other variables held constant, would have decreased/increased the fair value of intangible asset by approximately $37,912,000/$52,077,000.

At 31 December 2013, it is estimated that an increase/decrease of 5% in toll revenue, with all other variables held constant, would have increased/decreased the fair value of the intangible asset by approximately $62,951,000/$55,882,000.

12 INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	$'000	$'000
Unlisted shares, at cost	**513,388**	513,388
Less: impairment loss	**(390,696)**	(390,696)
	122,692	122,692

The impairment loss was caused by the impairment provision of intangible asset of one of its subsidiaries, Hunan Daoyue Expressway Industry Co., Ltd.

Details of the subsidiaries at 31 December 2013 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid/registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Top Talent Holdings Limited ("Top Talent")	British Virgin Islands ("BVI") 18 March 2003	US$1/US$50,000	100%	–	Investment holding
Good Sign Limited ("Good Sign")	Hong Kong 19 December 2008	HK$1/HK$10,000	–	100%	Investment holding
Bright Regent Limited ("Bright Regent")	Hong Kong 10 October 2003	HK$1/HK$1	–	100%	Provision of administration services to the Group
湖南道岳高速公路實業有限公司 Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue")*	The PRC 22 December 2006	RMB600,950,000/ RMB600,950,000	–	90%	Construction, operation and management of an expressway in the PRC
深圳華昱凱天貿易發展有限公司 Shenzhen Huayu Kaitian Trade Development Co., Ltd.*	The PRC 25 January 2013	HK$2,000,000/ HK$2,000,000	–	100%	Import and export of construction materials and its related ancillary service

* These entities are foreign investment enterprises established in the PRC. The English translation of the Companies' names are for references only. The official names are in Chinese.

12 INTERESTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to Hunan Daoyue Expressway Industry Co., Ltd., the only subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013 **$'000**	2012 $'000
NCI percentage	**10%**	10%
Current assets	**24,708**	29,598
Non-current assets	**1,873,418**	1,859,202
Current liabilities	**(858,143)**	(893,895)
Non-current liabilities	**(753,914)**	(735,047)
Net assets	**286,069**	259,858
Carrying amount of NCI	**28,607**	25,986
Revenue	**167,758**	138,908
Profit/(loss) for the year	**17,791**	(274,924)
Total comprehensive income	**26,211**	(275,157)
Profit/(loss) allocated to NCI	**1,779**	(27,492)
Cash flows from operating activities	**93,240**	57,851
Cash flows from investing activities	**(9,365)**	(250,062)
Cash flows from financing activities	**(78,407)**	45,835

13 PREPAYMENTS AND OTHER RECEIVABLES

	The Group	
	2013	2012
	$'000	$'000
Prepayments	**8,447**	11,091
Other receivables	**905**	805
	9,352	11,896

All of the prepayments and other receivables are expected to be recovered within one year.

14 CASH AT BANK AND ON HAND

(A) CASH AT BANK AND ON HAND COMPRISE:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents				
– Cash at bank and on hand	**21,142**	13,176	**2,069**	827
Restricted bank deposits for interest rate swap of maturity of more than three months	**–**	8,633	**–**	–
	21,142	21,809	**2,069**	827

14 CASH AT BANK AND ON HAND (continued)

(B) RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH USED IN OPERATING ACTIVITIES:

	2013 $'000	2012 $'000
Profit/(loss) before taxation	**9,878**	(369,420)
Adjustments for:		
– Depreciation	**5,410**	5,390
– Amortisation	**36,238**	28,857
– Impairment loss of intangible asset	**–**	303,345
– Change in fair value of derivative financial instrument	**–**	1,631
– Losses from maturity of a derivative	**(1,567)**	–
– Finance costs	**90,758**	94,488
– Interest income	**(84)**	(92)
– Foreign exchange gain	**(19,386)**	(37)
– Profit from construction work and project management services under service concession arrangement	**–**	(725)
Changes in working capital:		
Decrease/(increase) in prepayments and other receivables	**2,906**	(3,633)
Decrease in accruals and other payables	**(54,641)**	(14,596)
Increase in amount due to related companies	**13,410**	1,004
Net cash generated from operating activities	**82,922**	46,212

15 DERIVATIVE FINANCIAL INSTRUMENT

	The Group	
	2013	2012
	$'000	$'000
Interest rate swap	**–**	1,966

At 31 December 2012, the Group held an interest rate swap agreement with a bank to hedge the interest rate risk on its floating interest rate bank loan. Under the swap agreement, the Group paid a fixed swap rate of 0.68% on notional contract amount of $600,000,000, in exchange for receipts on the same amount at a variable interest rate based on the applicable 3-month HIBOR at the time of payment. The interest rate swap agreement has matured in November 2013.

16 ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Construction payables	**121,938**	132,931	**–**	–
Advance received	**66,775**	112,230	**–**	–
Accruals	**15,940**	14,496	**3,350**	3,342
	204,653	259,657	**3,350**	3,342

Included in accruals and other payables as at 31 December 2013 are contract retention deposits payable to independent contractors of HK$71,834,000 (2012: HK$74,945,000), construction fees payables of HK$49,739,000 (2012: HK$56,781,000) and advance received of HK$66,775,000 (2012: HK$112,230,000). The advance received expected to be recognised as income after more than 1 year is HK$22,258,000 (2012: HK$77,698,000). All of the remaining accruals and other payables are expected to be settled within one year.

17 BANK LOANS

	The Group	
	2013	2012
	$'000	$'000
Current liabilities		
Current portion of long-term secured bank loan	**14,014**	12,333
Bank loan repayable on demand	**594,157**	589,245
	608,171	601,578
Non-current liabilities		
Long-term secured bank loan	**753,913**	735,047
	1,362,084	1,336,625

At 31 December, the bank loans were repayable as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year	**608,171**	601,578
After 1 year but within 2 years	**21,020**	24,666
After 2 years but within 5 years	**105,101**	147,996
After 5 years	**627,792**	562,385
	1,362,084	1,336,625

17 BANK LOANS *(continued)*

The amounts of banking facilities available and the utilisation at 31 December are set out as follows:

	The Group	
	2013	2012
	$'000	$'000
Facility amount	**1,399,090**	1,356,850
Amounts utilised	**(1,370,771)**	(1,347,501)
Facility amount still available	**–**	9,349

At 31 December 2013, banking facility amount is nil as the withdrawal period has expired.

The Group's rights to operate the Sui-Yue Expressway (Hunan Section) and receive toll fees therefrom, have been pledged to secure the long term bank loan.

Bank loan repayable on demand were bank loan fall due in the year 2016 but contains repayable on demand clause.

The bank loans of the Group are subject to certain financial covenants. The Group regularly monitors its compliance with these covenants, and adherence to the timetable of the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 20(b). As at 31 December 2013, none of the covenants relating to drawn down facilities had been breached (2012: nil).

In accordance with the accounting policy set out in note 1(s), there are no borrowing costs capitalised into intangible asset – service concession arrangement for the years ended 31 December 2013 and 2012.

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(A) DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED:

The components of deferred tax assets/liabilities recognised in the consolidate statement of financial position and the movement during the year are as follows:

	Intangible asset – service concession arrangement $'000
Deferred tax arising from:	
At 1 January 2012	66,341
Credited to profit or loss (note 6(a))	83,202
Exchange adjustment	13
At 31 December 2012	149,556
At 1 January 2013	149,556
Charged to profit or loss (note 6(a))	(1,737)
Exchange adjustment	4,652
At 31 December 2013	152,471

(B) DEFERRED TAX ASSETS NOT RECOGNISED:

In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of $19,158,000 (2012: $47,543,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

As at 31 December 2013, tax losses of $19,158,000 in Hong Kong do not expire under current Hong Kong tax legislation.

19 CAPITAL, RESERVES AND DIVIDENDS

(A) MOVEMENTS IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company	**Share capital** $'000	**Share premium** $'000	**Other reserves** $'000	**Accumulated losses** $'000	**Total** $'000
Balance at 1 January 2012	4,126	130,044	510,388	(217,769)	426,789
Changes in equity for 2012:					
Total comprehensive income for the year	–	–	–	(211,984)	(211,984)
Balance at 31 December 2012 and 1 January 2013	4,126	130,044	510,388	(429,753)	214,805
Changes in equity for 2013:					
Total comprehensive income for the year	–	–	–	(5,480)	(5,480)
Balance at 31 December 2013	4,126	130,044	510,388	(435,233)	209,325

(B) DIVIDENDS

No dividends has been declared or paid by the Company since its incorporation.

19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(C) SHARE CAPITAL

	2013		2012	
	Number of shares	**Amount $'000**	Number of shares	Amount $'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January and at 31 December	**412,680,000**	**4,126**	412,608,000	4,126

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(D) NATURE AND PURPOSE OF RESERVES

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(D) NATURE AND PURPOSE OF RESERVES (continued)

(ii) Other reserve

On 13 April 2009, the Company acquired 90% equity interest in Daoyue from Shenzhen Huayu Investment & Development (Group) Co., Ltd. The difference between the historical carrying value of the shares of Daoyue acquired and the acquisition consideration paid by the Company is recorded in "Other reserve".

In addition, pursuant to the Group's reorganisation before its initial public offering, the ultimate controlling shareholder of the Group assigned to the Company the receivable balances due from group companies amounted to $513,388,000. The difference between the assigned receivable balances over the nominal value of $3,000,000 of the shares issued by the Company in exchange thereof was also recorded in "Other reserve".

(iii) Exchange reserves

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the PRC operation. The reserve is dealt with in accordance with the accounting policy as set out in note 1(r).

(iv) Distributable reserve

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil (2012: nil). The long-term secured bank loan of the Group is subject to certain covenants and the Group's PRC subsidiary, Daoyue, is required to obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years from 2013 to 2027.

(E) CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to financing at a reasonable cost.

19 CAPITAL, RESERVES AND DIVIDENDS (continued)

(E) CAPITAL MANAGEMENT (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a debt-to-equity ratio. For this purpose, adjusted net debt is defined as total debts (which includes accruals and other payables, amounts due to related parties and bank loans). Equity comprises all components of equity.

The debt-to-equity ratio of the Group at 31 December 2013 and 2012 is as follows:

	Note	**2013 $'000**	2012 $'000
Current liabilities:			
Accruals and other payables	16	**204,653**	259,657
Amount due to related companies	23(c)	**16,004**	2,306
Bank loans	17	**608,171**	601,578
		828,828	863,541
Non-current liabilities:			
Amount due to the controlling shareholder of the Company	23(c)	**78,579**	66,357
Bank loans	17	**753,913**	735,047
		832,492	801,404
Total debts		**1,661,320**	1,664,945
Total equity		**242,591**	226,003
Debt-to-equity ratio		**685%**	737%

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

(A) CREDIT RISK

The Group's credit risk is primarily attributable to prepayments and other receivables, and cash at bank and on hand. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers.

(B) LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

For the term loan subject to repayment on demand clauses which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(B) LIQUIDITY RISK (continued)

Note 1(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

The Group

	Contractual undiscounted cash outflow						
	On demand $'000	Within 1 year $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
2013							
Accruals and other payables	–	137,878	–	–	–	137,878	137,878
Amount due a related company	–	16,004	–	–	–	16,004	16,004
Term loan subject to repayment on demand clause: Scheduled repayments	–	18,463	18,463	614,214	–	651,140	594,157
Amount due to the controlling shareholder of the Company	–	–	–	78,579	–	78,579	78,579
Other bank loans	–	61,144	67,043	232,313	814,784	1,175,284	767,927
	–	233,489	85,506	925,106	814,784	2,058,885	1,594,545
Adjustment to disclose cash flows on term loan based on lender's right to demand repayment	600,000	(18,463)	(18,463)	(614,214)	–	(51,140)	
	600,000	215,026	67,043	310,892	814,784	2,007,745	

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(B) LIQUIDITY RISK (continued)

The Group (continued)

	Contractual undiscounted cash outflow						
	On demand $'000	Within 1 year $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
2012							
Accruals and other payables	–	147,427	–	–	–	147,427	147,427
Amount due a related company	–	2,306	–	–	–	2,306	2,306
Term loan subject to repayment on demand clause: Scheduled repayments	–	617,812	–	–	–	617,812	589,245
Amount due to the controlling shareholder of the Company	–	–	–	66,357	–	66,357	66,357
Other bank loans	–	58,628	70,147	271,906	684,982	1,085,663	747,380
Interest rate swap (net settled)	–	1,357	–	–	–	1,357	1,966
	–	827,530	70,147	338,263	684,982	1,920,922	1,544,681
Adjustment to disclose cash flows on term loan based on lender's right to demand repayment	600,000	(617,812)	–	–	–	(17,812)	
	600,000	209,718	70,147	338,263	684,982	1,903,110	

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(B) LIQUIDITY RISK (continued)

The Company

	Contractual undiscounted cash outflow					
	Within 1 year On demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
2013						
Accruals and other payables	3,350	–	–	–	3,350	3,350
Financial guarantees issued:						
Maximum amount guaranteed (note 22)	1,367,927	–	–	–	1,367,927	–

	Contractual undiscounted cash outflow					
	Within 1 year on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000	Total $'000	Carrying amount $'000
2012						
Accruals and other payables	2,269	–	–	–	2,269	2,269
Financial guarantees issued:						
Maximum amount guaranteed (note 22)	1,347,380	–	–	–	1,347,380	–

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(C) INTEREST RATE RISK

The Group's interest rates risk arises primarily from cash at bank and bank borrowings issued at variable rates that expose the Group to cash flow interest rate risk. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. The Group hedges its debt obligations through the use of interest rate swaps. The Group's interest rate profile as monitored by management is set out in below:

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting year.

	The Group			
	2013		2012	
	Effective interest rate %	**Amount $'000**	Effective interest rate %	Amount $'000
Fixed rate instruments:				
Bank loan repayable on demand	**7.3608**	**(594,157)**	7.483	(589,245)
		(594,157)		(589,245)
Variable rate instruments:				
Cash at bank	**0.399**	**21,142**	0.102	21,217
Long-term secured bank loan	**6.433**	**(767,927)**	5.974	(747,380)
		(746,785)		(726,163)
Total net borrowings		**(1,340,942)**		(1,315,408)
Net fixed rate borrowings as a percentage of total net borrowings		**44.8%**		44.8%

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(C) INTEREST RATE RISK (continued)

(i) Interest rate profile (continued)

	The Company			
	2013		2012	
	Effective interest rate	**Effective Amount**	interest rate	Amount
	%	**$'000**	%	$'000
Variable rate instruments:				
Cash at bank	**0.0047**	**2,069**	0.0145	827

(ii) Sensitivity analysis

At 31 December 2013, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss for the year and accumulated losses by approximately $1,400,000 in response to the general increase/decrease in interest rates (2012: $1,362,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss for the year (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss for the year (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2012.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(D) CURRENCY RISK

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the functional currency of the operations in which they relate. However, as the principal subsidiary, Daoyue, mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect the Group's financial position and be reflected in the exchange reserve.

At 31 December 2013, the Group is exposed to currency risk primarily through one of the bank loans of Daoyue that is denominated in HKD, with carrying amount of $594,157,000 (2012: $589,245,000).

At 31 December 2013, assuming all other risk variables remained constant, a 1% strengthening/(weakening) of the RMB against HKD would have increased/decreased equity and net profit by the amount of $4,455,000 (2012: $4,384,000). Results of the analysis represent an aggregation of the instantaneous effects on Daoyue's profit after tax and equity measured in the its functional currency, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2012.

(E) FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(E) FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

	The Group	
	2013	2012
	$'000	$'000
	Level 2	Level 2
Group		
Recurring fair value measurement		
Derivative financial instrument:		
Interest rate swap	**–**	1,966

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The carrying amount of bank loan approximate their fair value based on the borrowing rates currently available for loans with similar terms and average maturities.

The amounts due to related companies as at 31 December 2013 and 2012 have no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2013 and 2012.

21 COMMITMENTS

OPERATING LEASES

Leases as lessee

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Within 1 year	**–**	802	**–**	802
After 1 year but within 5 years	**–**	–	**–**	–
	–	802	**–**	802

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years with an option to renew the leases upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

21 COMMITMENTS (continued)

OPERATING LEASES (continued)

Leases as lessor

The Group leases out its service zone and billboards under operating leases, with lease terms of 4 years and 3 years respectively. At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2013	2012
	$'000	$'000
Within 1 year	**35,633**	1,085
After 1 year but within 5 years	**11,790**	46,131
	47,423	47,216

During the year ended 31 December 2013, the Group recognised rental income of $45,500,000 and $520,000 in revenue (note 3) and other revenue (note 4) of the consolidated statement of profit or loss respectively (2012: $16,248,000 and $311,000).

22 CONTINGENT LIABILITIES

FINANCIAL GUARANTEES ISSUED

As at the end of the reporting year, the Company has issued the following guarantees:

(a) a single guarantee to a bank in respect of a bank loan granted to a wholly owned subsidiary which expires on 7 October 2016; and

(b) a single guarantee to a bank in respect of a banking facility granted to a wholly owned subsidiary which expires on 8 May 2027.

At the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the total bank loans by the subsidiary of $1,367,927,000 (2012: $1,347,380,000).

The Company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was nil.

23 MATERIAL RELATED PARTY TRANSACTIONS

(A) DURING THE YEAR ENDED 31 DECEMBER 2013, THE DIRECTORS ARE OF THE VIEW THAT THE FOLLOWING COMPANIES ARE RELATED PARTIES OF THE GROUP:

Name of party	Relationship
Mr. Chan Yeung Nam	Controlling shareholder of the Company
Shenzhen Huayu Investment & Development (Group) Co., Ltd.	Under the control of the controlling shareholder of the Company

23 MATERIAL RELATED PARTY TRANSACTIONS

(B) PARTICULARS OF SIGNIFICANT TRANSACTIONS BETWEEN THE GROUP AND THE ABOVE RELATED PARTIES DURING THE YEAR ARE AS FOLLOWS:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Non recurring transactions				
Expense paid on behalf of the Group by a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	**892**	1,004	**–**	–
Advance from a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	**31,293**	–	**–**	–
Repayment to a related company from the Group – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	**18,776**	–	**–**	–
Advance from the controlling shareholder of the Company	**12,292**	28,674	**–**	16,403
Expense paid on behalf of the controlling share holder of the Company by the Group	**20**	–	**–**	–

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(C) BALANCES WITH RELATED PARTIES

As at the end of the reporting period, the Group had the following balances with related parties:

	The Group		The Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Amount due to related companies – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	**(16,004)**	(2,306)	**–**	–
Amount due to the controlling shareholder of the Company	**(78,579)**	(66,357)	**(30,760)**	(28,517)
	(94,583)	(68,663)	**(30,760)**	(28,517)

Balances with related parties represented short term advances made from related parties of the Group. These short-term advances are unsecured and interest free.

(D) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2013	2012
	$'000	$'000
Short-term employee benefits	**8,054**	9,490

Total remuneration is included in "staff costs" (see note 5(b)).

(Expressed in Hong Kong dollars unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(E) APPLICABILITY OF THE LISTING RULES RELATING TO CONNECTED TRANSACTIONS

The related party transactions in respect of note 23(b) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

24 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2013, the directors consider the immediate parent and ultimate controlling party of the Group to be Velocity International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*	1 January 2014
HKFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.