

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

11 December 2009

The Directors  
Huayu Expressway Group Limited  
Mizuho Securities Asia Limited

Dear Sirs,

## **INTRODUCTION**

We set out below our report on the financial information relating to Huayu Expressway Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Period"), the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheet of the Company as at 30 June 2009 and the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 11 December 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 30 November 2009 (the "Reorganisation") as detailed in the section headed "History, Development and Group Structure" in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and the companies comprising the Group, except for Hunan Daoyue Expressway Industry Co., Ltd. and Bright Regent Limited, as they were either incorporated shortly before 30 June 2009 or have not carried on any business since their respective dates of incorporation or are investment holding companies and are not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to 30 June 2009 for the purpose of this report.

The statutory financial statements of Hunan Daoyue Expressway Industry Co., Ltd. and Bright Regent Limited, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China ("PRC") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") respectively, were audited during the Relevant Period by the respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
Hunan Daoyue Expressway Industry Co., Ltd. 湖南道岳高速公路實業有限公司 (Note)	Years ended 31 December 2007 and 2008	Hunan Gongzhong Certified Public Accountants Co. Ltd 湖南公眾會計師事務所有限公司 (Note)
Bright Regent Limited	Years ended 31 December 2006, 2007 and 2008	Lau, Cheung, Fung & Chan Certified Public Accountants

*Note:* The English translation of the company name is for reference only. The official name of this company is in Chinese.

## BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with accounting policies as referred to in Section C below, which are in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). HKFRSs include Hong Kong Accounting Standards and Interpretations.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS**

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on the Financial Information based on our audit procedures.

**BASIS OF OPINION**

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation and true and fair presentation of the Financial Information 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 Financial Information.

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

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

**OPINION**

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Relevant Period, the combined state of affairs of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 and the state of affairs of the Company as at 30 June 2009.

**CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the combined income statement, combined statement of comprehensive income, combined statement of changes in equity and combined cash flow statement for the six months ended 30 June 2008, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

**A BASIS OF PRESENTATION**

As the ultimate controlling shareholder which controlled the companies now comprising the Group before and after the Reorganisation is the same and, consequently there was a continuation of the risks and benefits to the ultimate controlling shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented. The net assets of the companies now comprising the Group are combined using the existing book values from the ultimate controlling shareholder's perspective.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group as set out in Sections B1, B2, B4 and B5 below respectively include the results of operations of the companies now comprising the Group for the Relevant Period (or where the companies were incorporated/established at a date later than 1 January 2006, for the period from their respective dates of incorporation/establishment to 30 June 2009) as if the current group structure had been in existence throughout the entire Relevant Period. The combined balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 as set out in Section B3 below have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/establishment	Issued and fully paid/registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
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\$2/HK\$10,000	—	100%	Investment holding
Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue")*	The PRC 22 December 2006	RMB280,190,000/ RMB600,950,000	—	90%	Construction, operation and management of an expressway in the PRC

\* This entity is a Sino-foreign equity joint venture in the form of a private company with limited liability established in the PRC.

There has been no change in the Company's direct or indirect interest in the above subsidiaries since it becomes the holding company of the group up to the date of this report.

**B FINANCIAL INFORMATION****1 Combined income statements**

	Section C <i>Note</i>	Years ended 31 December			Six months ended 30 June	
		2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i>
<b>Turnover</b>	2	1,874	5,573	10,080	1,530	23,988
Cost of construction services		(1,833)	(5,450)	(9,858)	(1,496)	(23,460)
<b>Gross profit</b>		41	123	222	34	528
Other revenue	3	6	46	126	35	39
Administrative expenses		(838)	(1,003)	(3,569)	(1,522)	(3,664)
<b>Loss before taxation</b>	4	(791)	(834)	(3,221)	(1,453)	(3,097)
Income tax benefit	5(a)	271	168	831	372	487
<b>Loss for the year/period</b>		<u>(520)</u>	<u>(666)</u>	<u>(2,390)</u>	<u>(1,081)</u>	<u>(2,610)</u>
<b>Attributable to:</b>						
— Equity shareholders of the Company		(465)	(588)	(2,140)	(970)	(2,424)
— Minority interests		(55)	(78)	(250)	(111)	(186)
<b>Loss for the year/period</b>		<u>(520)</u>	<u>(666)</u>	<u>(2,390)</u>	<u>(1,081)</u>	<u>(2,610)</u>
<b>Loss per share (HK\$)</b>						
— Basic and Diluted	9	<u>(0.0016)</u>	<u>(0.0020)</u>	<u>(0.0071)</u>	<u>(0.0032)</u>	<u>(0.0081)</u>

The accompanying notes form part of the Financial Information.

**B FINANCIAL INFORMATION** *(Continued)***2 Combined statements of comprehensive income**

	Years ended 31 December			Six months ended 30 June	
	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
				(unaudited)	
<b>Loss for the year/period</b>	(520)	(666)	(2,390)	(1,081)	(2,610)
<b>Other comprehensive income for the year/period</b>					
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	131	3,725	3,982	4,774	488
<b>Total comprehensive (loss)/ income for the year/period</b>	<u>(389)</u>	<u>3,059</u>	<u>1,592</u>	<u>3,693</u>	<u>(2,122)</u>
<b>Attributable to:</b>					
— Equity shareholders of the Company	(347)	2,765	1,445	3,327	(1,985)
— Minority interests	(42)	294	147	366	(137)
<b>Total comprehensive (loss)/ income for the year/period</b>	<u>(389)</u>	<u>3,059</u>	<u>1,592</u>	<u>3,693</u>	<u>(2,122)</u>

The accompanying notes form part of the Financial Information.

**B FINANCIAL INFORMATION** *(Continued)***3 Combined balance sheets**

	Section C <i>Note</i>	As at 31 December			As at
		2006	2007	2008	30 June
		HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment	10	9	244	1,968	1,903
Intangible assets — service concession arrangement	11	1,916	7,858	90,373	226,223
Prepayments	12	—	—	29,002	45,208
Deferred tax assets	17	277	472	1,341	1,833
		<u>2,202</u>	<u>8,574</u>	<u>122,684</u>	<u>275,167</u>
<b>Current assets</b>					
Prepayments and other receivables	13	93	6,069	385	4,745
Amounts due from a related party	14	—	42,888	10,999	—
Cash and cash equivalents	15	49,824	1,486	3,886	149,525
		<u>49,917</u>	<u>50,443</u>	<u>15,270</u>	<u>154,270</u>
<b>Current liabilities</b>					
Accruals and other payables	16	14	13	27,949	30,974
Amount due to controlling shareholder of the Company	14	13	20	349	211,534
Amount due to a related party	14	2,825	6,658	—	—
		<u>2,852</u>	<u>6,691</u>	<u>28,298</u>	<u>242,508</u>
<b>Net current assets/(liabilities)</b>		<u>47,065</u>	<u>43,752</u>	<u>(13,028)</u>	<u>(88,238)</u>
<b>Total assets less current liabilities</b>		<u>49,267</u>	<u>52,326</u>	<u>109,656</u>	<u>186,929</u>
<b>Non-current liabilities</b>					
Long-term bank loan	18	—	—	—	170,520
<b>NET ASSETS</b>		<u>49,267</u>	<u>52,326</u>	<u>109,656</u>	<u>16,409</u>



**B FINANCIAL INFORMATION** *(Continued)***3 Combined balance sheets** *(Continued)*

	Section C	As at 31 December			As at
	<i>Note</i>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>30 June</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>	<i>19</i>				
Share capital		—	—	—	—
Reserves		44,342	47,107	98,716	(5,736)
<b>Total equity attributable to equity shareholders of the Company</b>		44,342	47,107	98,716	(5,736)
Minority interests		4,925	5,219	10,940	22,145
<b>TOTAL EQUITY</b>		<b>49,267</b>	<b>52,326</b>	<b>109,656</b>	<b>16,409</b>

The accompanying notes form part of the Financial Information.

**B FINANCIAL INFORMATION (Continued)****4 Combined statements of changes in equity**

	Section C Note	Attributable to equity shareholders of the Company					Minority interests HK\$'000	Total HK\$'000
		Share capital HK\$'000 (Note 19(a))	Other reserve HK\$'000 (Note 19(b)(i))	Exchange reserve HK\$'000 (Note 19(b)(ii))	Accumulated losses HK\$'000	Total HK\$'000		
<b>Balance at 1 January 2006</b>		—	—	—	(10)	(10)	—	(10)
<b>Changes in equity for 2006:</b>								
Capital injection	19(b)(i)	—	44,699	—	—	44,699	4,967	49,666
Total comprehensive income/ (loss) for the year		—	—	118	(465)	(347)	(42)	(389)
<b>Balance at 31 December 2006 and 1 January 2007</b>		—	44,699	118	(475)	44,342	4,925	49,267
<b>Changes in equity for 2007:</b>								
Total comprehensive income/ (loss) for the year		—	—	3,353	(588)	2,765	294	3,059
<b>Balance at 31 December 2007 and 1 January 2008</b>		—	44,699	3,471	(1,063)	47,107	5,219	52,326
<b>Changes in equity for 2008:</b>								
Capital injection	19(b)(i)	—	50,164	—	—	50,164	5,574	55,738
Total comprehensive income/ (loss) for the year		—	—	3,585	(2,140)	1,445	147	1,592
<b>Balance at 31 December 2008 and 1 January 2009</b>		—	94,863	7,056	(3,203)	98,716	10,940	109,656
<b>Changes in equity for the six months ended 30 June 2009:</b>								
Capital injection	19(b)(i)	—	102,078	—	—	102,078	11,342	113,420
Arising on Reorganisation	19(b)(i)	—	(204,545)	—	—	(204,545)	—	(204,545)
Total comprehensive income/ (loss) for the period		—	—	439	(2,424)	(1,985)	(137)	(2,122)
<b>Balance at 30 June 2009</b>		—	(7,604)	7,495	(5,627)	(5,736)	22,145	16,409

**B FINANCIAL INFORMATION** *(Continued)***4 Combined statements of changes in equity** *(Continued)*

	Section C Note	Attributable to equity shareholders of the Company				Total	Minority interests	Total
		Share capital	Other reserve	Exchange reserve	Accumulated losses			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000			
		<i>(Note 19(a))</i>	<i>(Note 19(b)(i))</i>	<i>(Note 19(b)(ii))</i>				
<b>Unaudited</b>								
Balance at 1 January 2008		—	44,699	3,471	(1,063)	47,107	5,219	52,326
<b>Changes in equity for the six months ended 30 June 2008:</b>								
Capital injection	19(b)(i)	—	50,164	—	—	50,164	5,574	55,738
Total comprehensive income/ (loss) for the period		—	—	4,297	(970)	3,327	366	3,693
Balance at 30 June 2008		—	94,863	7,768	(2,033)	100,598	11,159	111,757

The accompanying notes form part of the Financial Information.

**B FINANCIAL INFORMATION (Continued)****5 Combined cash flow statements**

	Section C <i>Note</i>	Years ended 31 December			Six months ended 30 June	
		2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (unaudited)	2009 <i>HK\$'000</i>
<b>Net cash generated from/ (used in) operating activities</b>	15(b)	1,999	(3,589)	26,489	1,492	(721)
<b>Investing activities</b>						
Payment for the purchase of property, plant and equipment	10	(14)	(257)	(1,841)	(118)	(127)
Payment for intangible assets		(1,833)	(5,450)	(81,057)	(11,962)	(132,293)
Increase in prepayments	12	—	—	(29,002)	—	(16,206)
Interest received		6	46	98	35	39
<b>Net cash used in investing activities</b>		(1,841)	(5,661)	(111,802)	(12,045)	(148,587)
<b>Financing activities</b>						
(Increase)/decrease in amount due from a related party		—	(42,888)	31,889	(37,983)	10,999
Proceeds from long-term bank loan		—	—	—	—	170,520
Capital contribution by controlling shareholder of the Company		44,699	—	50,164	50,164	102,078
Capital contribution by minority interests		4,967	—	5,574	5,574	11,342
<b>Net cash generated from/ (used in) financing activities</b>		49,666	(42,888)	87,627	17,755	294,939
<b>Net increase/(decrease) in cash and cash equivalents</b>		49,824	(52,138)	2,314	7,202	145,631
<b>Cash and cash equivalents at beginning of the year/period</b>		—	49,824	1,486	1,486	3,886
<b>Effect of foreign exchange rate changes</b>		—	3,800	86	97	8
<b>Cash and cash equivalents at end of the year/period</b>	15	49,824	1,486	3,886	8,785	149,525

The accompanying notes form part of the Financial Information.

**C NOTES TO THE FINANCIAL INFORMATION****1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The Group has not presented combined financial statements previously. This is the Group's first HKFRS Financial Information and HKFRS 1 has been applied.

The HKICPA has issued certain new and revised HKFRSs that are not yet effective for the financial periods included in the Relevant Period. The Group has not early adopted these HKFRSs in preparing the Financial Information for the Relevant Period (see note 26).

**(b) Basis of preparation of the Financial Information**

The Financial Information comprises the Company and its subsidiaries.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The Financial Information presents the combined results, combined cash flows and combined financial position of the Group for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 on the basis that the Company, for the purpose of this report, is regarded as a continuing entity and that the Reorganisation had been completed as at the beginning of the Relevant Period and that the business of the Group had been conducted by the Company throughout the Relevant Period as that are related to entities under common control.

The Financial Information has been prepared in accordance with the going concern basis notwithstanding the net current liabilities of the Group at 31 December 2008 and 30 June 2009. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ending 30 June 2010 and the fact that a long-term loan agreement has been signed by a subsidiary of the Group with Shenzhen Longgang Branch of China Merchants Bank on 30 April 2009 for a bank loan with total amount of not exceeding RMB1,100 million of which the Group has an available banking facilities of RMB950 million as at 30 June 2009. The Group will have necessary liquids funds to finance its working capital and capital expenditure requirements up to 30 June 2010.

The preparation of the Financial Information 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.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(b) Basis of preparation of the Financial Information** *(continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 25.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

**(c) Subsidiaries and minority interests**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Financial statements of the subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, 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. Minority interests are presented in the combined balance sheets and combined statements of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements and the combined statements of comprehensive income as an allocation of the total profit or loss for the year/period between minority interests and the equity shareholders of the Company.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(c) Subsidiaries and minority interests** *(continued)*

Where losses attributable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

**(d) Business combinations involving entities under common control**

Merger accounting is adopted for common control combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The combined Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling interest.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined Financial Information are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

**(e) Property, plant and equipment**

Property, plant and equipment are stated in the combined balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)).

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

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(e) Property, plant and equipment** *(continued)*

Depreciation is calculated to write off the cost 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:

— Motor vehicles	5 years
— Furniture and fixtures	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(f) 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 any impairment losses (see note 1(h)).

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.

Amortisation is calculated to write off the cost of intangible assets arising from a service concession arrangement on a straight-line 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.



**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(g) 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 terms, 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.

**(h) Impairment of assets****(i) Impairment of receivables**

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date 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.

Impairment losses are reversed if in a subsequent period the amount of the impairment loss decreases.

**(ii) Impairment of other assets**

Internal and external sources of information are reviewed at each balance sheet date 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 assets — service concession arrangement; and
- non-current prepayments.

If any such indication exists, the asset's recoverable amount is estimated.

- 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).

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(h) Impairment of assets** *(continued)***(ii) Impairment of other assets** *(continued)*

## — Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever 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 to sell, 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 periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

**(i) Receivables**

Receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(h)), 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 impairment losses for bad and doubtful debts (see note 1(h)).

**(j) 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.

**(k) 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.

**(l) 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.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(m) Employee benefits**

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period 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) Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

**(n) Income tax**

- (i) Income tax for the period 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 they are recognised in other comprehensive income or directly in equity respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.
- (iii) 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 differences which arose on initial recognition of assets and liabilities, 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.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(n) Income tax** *(continued)***(iii)** *(continued)*

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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.

**(iv)** 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 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 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.

**(o) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(p) 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 balance sheet date as a percentage of total estimated costs for each contract.

**(ii) Interest income**

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

**(q) Translation of foreign currencies**

For the purpose of presenting the Financial Information, the Group adopted Hong Kong dollars ("HKD") as its presentation currency. The functional currencies of the Company and the subsidiaries incorporated in Hong Kong or BVI are HKD and the functional currency of the subsidiary established in the PRC is Renminbi ("RMB").

Foreign currency transactions during the period are translated into the functional currency of the entity at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

The results of foreign operation are translated into the presentation currency of the Group at the exchange rates approximating the foreign exchange rates ruling at the dates of the transaction. Balance sheet items are translated into the presentation currency of the Group at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***1 SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(r) 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.

**(s) Related parties**

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

**(t) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, 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.

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.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***2 TURNOVER**

The principal activities of the Group are construction, operation and management of an expressway in the PRC. During the Relevant Period, the expressway was under construction and has not commenced its operation. Turnover during the Relevant Period represented revenue from construction work and project management services under the service concession arrangement.

**3 OTHER REVENUE**

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				(unaudited)	
Interest income from bank deposits	6	46	98	35	39
Other	—	—	28	—	—
	<u>6</u>	<u>46</u>	<u>126</u>	<u>35</u>	<u>39</u>

**4 LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
				(unaudited)	
(a) Staff costs:					
Salaries, wages and other benefits	118	61	126	41	1,636
Contributions to defined contribution retirement plans	18	15	25	12	67
	<u>136</u>	<u>76</u>	<u>151</u>	<u>53</u>	<u>1,703</u>

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

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 4 LOSS BEFORE TAXATION (continued)

Loss before taxation is arrived at after charging: (continued)

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
(b) Other items:					
Auditors' remuneration	4	4	9	9	11
Consultancy fee	—	59	132	44	57
Depreciation	5	32	146	33	196
Operating lease charges in respect of rental of office premises	72	130	358	163	480
	<u>72</u>	<u>130</u>	<u>358</u>	<u>163</u>	<u>480</u>

## 5 INCOME TAX IN THE COMBINED INCOME STATEMENTS

(a) Taxation in the combined income statements represents:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
<b>Deferred tax</b>					
Origination of temporary differences (note 17)	(271)	(237)	(831)	(372)	(487)
Effect on opening deferred tax balance resulting from a change in tax rate	—	69	—	—	—
	<u>(271)</u>	<u>(168)</u>	<u>(831)</u>	<u>(372)</u>	<u>(487)</u>



## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 5 INCOME TAX IN THE COMBINED INCOME STATEMENTS (continued)

(a) Taxation in the combined income statements represents: (continued)

- (i) Pursuant to the rules and regulations of the Cayman Islands and 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 Relevant Period.
- (iii) Pursuant to the income tax rules and regulations of the PRC, Daoyue is liable to PRC income tax at a rate of 33% for the period from 22 December 2006 (date of establishment) to 31 December 2006 and the year ended 31 December 2007. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008. As a result of the New Tax Law, the income tax rate applicable to Daoyue reduces from 33% to 25% with effect from 1 January 2008. No provision has been made for PRC Income Tax as the Group did not have assessable profits subject to PRC Corporate Income Tax during the Relevant Period.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Years ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
<b>Loss before taxation</b>	<b>(791)</b>	<b>(834)</b>	<b>(3,221)</b>	<b>(1,453)</b>	<b>(3,097)</b>
Notional tax on loss before taxation, calculated at the rates applicable	(265)	(293)	(815)	(363)	(676)
Tax effect on temporary differences not recognised	1	1	20	—	190
Tax effect on non-taxable income	—	—	—	—	(1)
Effect on change in tax rate	—	145	—	—	—
Others	(7)	(21)	(36)	(9)	—
<b>Income tax benefit</b>	<b>(271)</b>	<b>(168)</b>	<b>(831)</b>	<b>(372)</b>	<b>(487)</b>

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 6 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out below:

## Year ended 31 December 2006

	Fees <i>HK\$ '000</i>	Basic salaries, allowances and other benefits in kind <i>HK\$ '000</i>	Contributions to retirement benefit scheme <i>HK\$ '000</i>	Bonuses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Executive directors</b>					
Mr Chan Yeung Nam	—	—	—	—	—
Mr Mai Qing Quan	—	—	—	—	—
Mr Chen Kai Shu	—	—	—	—	—
Mr Fu Jie Pin	—	—	—	—	—
Mr Chen Min Yong	—	—	—	—	—
Mr Zhang Bo Qing	—	—	—	—	—
Mr Yue Feng	—	—	—	—	—
Ms Mao Hui	—	—	—	—	—
<b>Independent non-executive directors</b>					
Mr Sun Xiao Nian	—	—	—	—	—
Mr Chu Kin Wang, Peleus	—	—	—	—	—
Mr Hu Lie Ge	—	—	—	—	—
	—	—	—	—	—
Total	—	—	—	—	—

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***6 DIRECTORS' REMUNERATION** *(continued)*

Details of directors' remuneration are set out below: *(continued)*

**Year ended 31 December 2007**

	Fees <i>HK\$ '000</i>	Basic salaries, allowances and other benefits in kind <i>HK\$ '000</i>	Contributions to retirement benefit scheme <i>HK\$ '000</i>	Bonuses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Executive directors</b>					
Mr Chan Yeung Nam	—	—	—	—	—
Mr Mai Qing Quan	—	—	—	—	—
Mr Chen Kai Shu	—	—	—	—	—
Mr Fu Jie Pin	—	—	—	—	—
Mr Chen Min Yong	—	—	—	—	—
Mr Zhang Bo Qing	—	—	—	—	—
Mr Yue Feng	—	—	—	—	—
Ms Mao Hui	—	—	—	—	—
<b>Independent non-executive directors</b>					
Mr Sun Xiao Nian	—	—	—	—	—
Mr Chu Kin Wang, Peleus	—	—	—	—	—
Mr Hu Lie Ge	—	—	—	—	—
	—	—	—	—	—
Total	—	—	—	—	—

C NOTES TO THE FINANCIAL INFORMATION *(continued)*6 DIRECTORS' REMUNERATION *(continued)*

Details of directors' remuneration are set out below: *(continued)*

## Year ended 31 December 2008

	Fees <i>HK\$ '000</i>	Basic salaries, allowances and other benefits in kind <i>HK\$ '000</i>	Contributions to retirement benefit scheme <i>HK\$ '000</i>	Bonuses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Executive directors</b>					
Mr Chan Yeung Nam	—	—	—	—	—
Mr Mai Qing Quan	—	—	—	—	—
Mr Chen Kai Shu	—	—	—	—	—
Mr Fu Jie Pin	—	—	—	—	—
Mr Chen Min Yong	—	—	—	—	—
Mr Zhang Bo Qing	—	—	—	—	—
Mr Yue Feng	—	—	—	—	—
Ms Mao Hui	—	18	—	—	18
<b>Independent non-executive directors</b>					
Mr Sun Xiao Nian	—	—	—	—	—
Mr Chu Kin Wang, Peleus	—	—	—	—	—
Mr Hu Lie Ge	—	—	—	—	—
Total	—	18	—	—	18

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 6 DIRECTORS' REMUNERATION (continued)

Details of directors' remuneration are set out below: (continued)

Six months ended 30 June 2008 (unaudited)

	Fees <i>HK\$ '000</i>	Basic salaries, allowances and other benefits in kind <i>HK\$ '000</i>	Contributions to retirement benefit scheme <i>HK\$ '000</i>	Bonuses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Executive directors</b>					
Mr Chan Yeung Nam	—	—	—	—	—
Mr Mai Qing Quan	—	—	—	—	—
Mr Chen Kai Shu	—	—	—	—	—
Mr Fu Jie Pin	—	—	—	—	—
Mr Chen Min Yong	—	—	—	—	—
Mr Zhang Bo Qing	—	—	—	—	—
Mr Yue Feng	—	—	—	—	—
Ms Mao Hui	—	7	—	—	7
<b>Independent non-executive directors</b>					
Mr Sun Xiao Nian	—	—	—	—	—
Mr Chu Kin Wang, Peleus	—	—	—	—	—
Mr Hu Lie Ge	—	—	—	—	—
Total	—	7	—	—	7

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 6 DIRECTORS' REMUNERATION (continued)

Details of directors' remuneration are set out below: (continued)

Six months ended 30 June 2009

	Fees <i>HK\$ '000</i>	Basic salaries, allowances and other benefits in kind <i>HK\$ '000</i>	Contributions to retirement benefit scheme <i>HK\$ '000</i>	Bonuses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
<b>Executive directors</b>					
Mr Chan Yeung Nam	—	92	—	—	92
Mr Mai Qing Quan	—	80	—	—	80
Mr Chen Kai Shu	—	78	—	—	78
Mr Fu Jie Pin	—	63	—	—	63
Mr Chen Min Yong	—	29	—	—	29
Mr Zhang Bo Qing	—	29	—	—	29
Mr Yue Feng	—	—	—	—	—
Ms Mao Hui	—	54	—	—	54
<b>Independent non-executive directors</b>					
Mr Sun Xiao Nian	—	—	—	—	—
Mr Chu Kin Wang, Peleus	—	—	—	—	—
Mr Hu Lie Ge	—	—	—	—	—
Total	—	425	—	—	425

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***7 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

None of the five individuals with the highest emoluments were directors of the Company during the years ended 31 December 2006, 2007 and 2008. One of the five individuals with the highest emoluments was the director of the Company during six months ended 30 June 2009 whose remuneration is disclosed in note 6 above. The remuneration in respect of the five highest paid individuals during the years ended 31 December 2006, 2007 and 2008 and the four highest paid individuals during the six months ended 30 June 2009 is as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries and other emoluments	28	21	60	29	847
Contributions to retirement benefit scheme	12	9	9	3	16
Discretionary bonuses	—	—	—	—	—
	<u>40</u>	<u>30</u>	<u>69</u>	<u>32</u>	<u>863</u>

The emoluments of these individuals (pro-rated on a per annum basis for the six months ended 30 June) are within the following band:

	Number of individuals				
	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
HK\$Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>

**8 DIVIDENDS**

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

**9 LOSS PER SHARE**

The calculation of basic loss per share for the Relevant Period is based on the net loss attributable to the ordinary equity shareholders of the Company for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009 and 1 ordinary share of the Company issued on 21 April 2009 and 299,999,999 ordinary shares of the Company issued on 30 November 2009 as approved by the written resolutions of the sole shareholder of the Company passed on 30 November 2009 as if these shares were outstanding throughout the entire Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period and, therefore, diluted loss per share is equivalent to basic loss per share.

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 10 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>			
At 1 January 2006	—	—	—
Additions	—	14	14
	<hr/>	<hr/>	<hr/>
At 31 December 2006	—	14	14
	-----	-----	-----
At 1 January 2007	—	14	14
Additions	208	49	257
Exchange adjustments	8	4	12
	<hr/>	<hr/>	<hr/>
At 31 December 2007	216	67	283
	-----	-----	-----
At 1 January 2008	216	67	283
Additions	1,660	181	1,841
Exchange adjustments	28	5	33
	<hr/>	<hr/>	<hr/>
At 31 December 2008	1,904	253	2,157
	-----	-----	-----
At 1 January 2009	1,904	253	2,157
Additions	122	5	127
Exchange adjustments	5	—	5
	<hr/>	<hr/>	<hr/>
At 30 June 2009	2,031	258	2,289
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
<b>Accumulated depreciation:</b>			
At 1 January 2006	—	—	—
Charge for the year	—	5	5
	<hr/>	<hr/>	<hr/>
At 31 December 2006	—	5	5
	-----	-----	-----
At 1 January 2007	—	5	5
Charge for the year	25	7	32
Exchange adjustments	1	1	2
	<hr/>	<hr/>	<hr/>
At 31 December 2007	26	13	39
	-----	-----	-----
At 1 January 2008	26	13	39
Charge for the year	115	31	146
Exchange adjustments	3	1	4
	<hr/>	<hr/>	<hr/>
At 31 December 2008	144	45	189
	-----	-----	-----
At 1 January 2009	144	45	189
Charge for the period	173	23	196
Exchange adjustments	1	—	1
	<hr/>	<hr/>	<hr/>
At 30 June 2009	318	68	386
	-----	-----	-----
<b>Net book value:</b>			
At 31 December 2006	—	9	9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2007	190	54	244
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2008	1,760	208	1,968
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2009	1,713	190	1,903
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 11 INTANGIBLE ASSET — SERVICE CONCESSION ARRANGEMENT

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
<b>Cost:</b>				
At 1 January	—	1,916	7,858	90,373
Additions	1,874	5,573	81,279	135,083
Exchange adjustments	42	369	1,236	767
At 31 December/30 June	1,916	7,858	90,373	226,223

On 23 October 2004, Shenzhen Huayu Investment & Development (Group) Co. Ltd entered into a concession agreement “Initial Concession Agreement” with the Hunan Transportation Department, pursuant to which Shenzhen Huayu Investment & Development (Group) Co. Ltd was granted the exclusive right to construct, operate and manage the Hunan section of the Suizhou-Yueyang Expressway from Darenji town in Hunan Province to Kunshan, Yueyang city in Hunan Province (“Sui-Yue Expressway (Hunan Section)”) and receive toll fees from vehicles using the Sui-Yue Expressway (Hunan Section) for an operating period (“Concession Period”) of 25 years (excluding construction period).

The Initial Concession Agreement provides that Shenzhen Huayu Investment & Development (Group) Co. Ltd shall establish a project company and that such project company has the same right and obligations of Shenzhen Huayu Investment & Development (Group) Co. Ltd under the Initial Concession Agreement. Daoyue was established as the project company on 22 December 2006.

On 24 November 2009, the Initial Concession Agreement was terminated and replaced by the Concession Agreement entered into between Daoyue and the Hunan Transportation Department. Pursuant to the Concession Agreement, Daoyue was granted the exclusive right to construct, operate and manage the Sui-Yue Expressway (Hunan Section) and the Concession Period was extended to 27 years (excluding construction period).

This service concession arrangement does not contain a renewal option. At the end of the operating period all assets shall be transferred to the Hunan government authorities.

During the Relevant Period, the Group recorded revenue of approximately HK\$1,874,000, HK\$5,573,000, HK\$10,080,000 and HK\$23,988,000 for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 respectively, representing the fair value of the construction work and project management services provided, with the same amounts recognised as intangible assets – service concession arrangement.

In accordance with the accounting policy set out in note 1(f), the Group recognised land collection costs of HK\$71,199,000 and HK\$111,095,000 during the year ended 31 December 2008 and six months ended 30 June 2009 respectively as intangible assets – service concession arrangement.

In accordance with the accounting policy set out in note 1(f), no amortisation is recognised in profit or loss as Sui-Yue Expressway (Hunan Section) is not available for use during the Relevant Period.

## 12 PREPAYMENTS

As at 31 December 2008 and 30 June 2009, the Group had made prepayments of HK\$29,002,000 and HK\$45,208,000 to independent contractors for the construction of Sui-Yue Expressway (Hunan Section).

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 13 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
Advance to an independent party	—	5,361	—	—
Prepaid professional fees	—	—	—	3,596
Others	93	708	385	1,149
	<u>93</u>	<u>6,069</u>	<u>385</u>	<u>4,745</u>

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

## 14 AMOUNT DUE FROM/(TO) A RELATED PARTY AND CONTROLLING SHAREHOLDER OF THE COMPANY

- (i) The amount due from a related company represented advance to a related company and settlement of advance to a related company received on behalf by another related company. The balances were unsecured, interest-free and recoverable on demand.
- (ii) The amounts due to a related company and controlling shareholder of the Company represented operating expenses paid by them on behalf of the Group. The balances were unsecured, interest-free and repayable on demand.
- (iii) The amounts due from/(to) related companies and controlling shareholder of the Company as at 30 June 2009 have been settled/recovered by way of a loan assignment prior to the listing of the Company's shares on the Stock Exchange.

## 15 CASH AND CASH EQUIVALENTS

## (a) Cash and cash equivalents comprise:

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
Cash at bank and in hand	49,824	1,486	3,886	149,525
Cash and cash equivalents in the combined balance sheets and combined cash flow statements	<u>49,824</u>	<u>1,486</u>	<u>3,886</u>	<u>149,525</u>

As at 31 December 2006, 2007, 2008 and 30 June 2009, cash in hand and cash placed with banks in the PRC and included in the cash and cash equivalents above amounted to RMB50,006,000, RMB1,379,000, RMB3,419,000 and RMB129,854,000 respectively. Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 15 CASH AND CASH EQUIVALENTS (continued)

## (b) Reconciliation of loss before taxation to cash generated from/(used in) operating activities:

Section C	Years ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Loss before taxation	(791)	(834)	(3,221)	(1,453)	(3,097)
Adjustments for:					
— Depreciation	4(b) 5	32	146	33	196
— Interest income	3 (6)	(46)	(98)	(35)	(39)
— Foreign exchange loss/(gain)	83	(481)	2,593	3,845	(287)
— Profit from construction work and project management services under service concession arrangement	(41)	(123)	(222)	(34)	(528)
Changes in working capital:					
(Increase)/decrease in prepayments and other receivables	(93)	(5,976)	5,684	5,372	(4,360)
Increase/(decrease) in accruals and other payables	4	(1)	27,936	409	754
Increase/(decrease) in amount due to a related company	2,825	3,833	(6,658)	(6,658)	—
Increase in amounts due to controlling shareholder of the Company	13	7	329	13	6,640
<b>Net cash generated from/ (used in) operating activities</b>	<b>1,999</b>	<b>(3,589)</b>	<b>26,489</b>	<b>1,492</b>	<b>(721)</b>

## 16 ACCRUALS AND OTHER PAYABLES

Included in accruals and other payables as at 31 December 2008 and 30 June 2009 are contract guarantee deposits from independent contractors of HK\$27,895,000 and HK\$28,524,000 which are expected to be settled after more than one year. All of the remaining accruals and other payables are expected to be settled within one year.

C NOTES TO THE FINANCIAL INFORMATION *(continued)*

## 17 INCOME TAX IN THE COMBINED BALANCE SHEETS

## (a) Deferred tax assets recognised:

	<b>Pre-operating expenses HK\$ '000</b>
<b>Deferred tax arising from:</b>	
At 1 January 2006	—
Credited to profit or loss <i>(note 5(a))</i>	271
Exchange adjustment	6
	<u>277</u>
At 31 December 2006	<u>277</u>
At 1 January 2007	277
Effect on opening deferred tax balance resulting from a change in tax rate	(69)
Credited to profit or loss <i>(note 5(a))</i>	237
Exchange adjustment	27
	<u>472</u>
At 31 December 2007	<u>472</u>
At 1 January 2008	472
Credited to profit or loss <i>(note 5(a))</i>	831
Exchange adjustment	38
	<u>1,341</u>
At 31 December 2008	<u>1,341</u>
At 1 January 2009	1,341
Credited to profit or loss <i>(note 5(a))</i>	487
Exchange adjustment	5
	<u>1,833</u>
At 30 June 2009	<u>1,833</u>

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***17 INCOME TAX IN THE COMBINED BALANCE SHEETS** *(continued)***(b) Deferred tax assets not recognised:**

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$18,000, HK\$25,000, HK\$129,000 and HK\$1,276,000 as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively, 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. The tax losses do not expire under current tax legislation.

**18 LONG-TERM BANK LOAN**

The long-term secured bank loan is repayable as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
After 5 years	—	—	—	136,416
After 2 years but within 5 years	—	—	—	34,104
After 1 year but within 2 years	—	—	—	—
	—	—	—	170,520
	<u>—</u>	<u>—</u>	<u>—</u>	<u>170,520</u>

The amounts of banking facilities available and the utilisation at each balance sheet date are set out as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Facility amount available	—	—	—	1,079,960
	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,079,960</u>
Utilisation at the balance sheet date	—	—	—	170,520
	<u>—</u>	<u>—</u>	<u>—</u>	<u>170,520</u>

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

The bank loan of the Group is subject to a financial covenant. According to the agreement, the Group is required to invest not less than 35% of the total investment in Sui-Yue Expressway (Hunan Section) and maintain cash on hand with 130% of annual loan and interest repayment and obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years from 2013 to 2027. If the Group were to breach the covenant, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with this covenant. Further details of the Group's management of liquidity risk are set out in note 20(b).

In accordance with the accounting policy set out in note 1(r), the borrowing costs for the six months ended 30 June 2009 of HK\$895,000 have been capitalised into intangible asset — service concession arrangement at a rate of 5.346% per annum.

C NOTES TO THE FINANCIAL INFORMATION *(continued)*

## 19 CAPITAL AND RESERVES

## (a) Share capital

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$	HK\$	HK\$	2009
				HK\$
<b>Authorised</b>				
50,000 ordinary shares of US\$1 each as at 31 December 2006, 2007 and 2008 and 38,000,000 ordinary shares of HK\$0.01 each as at 30 June 2009	390,000	390,000	390,000	380,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Issued and fully paid</b>				
1 ordinary share of US\$1 and HK\$0.01 each	7.80	7.80	7.80	0.01
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Company was incorporated on 21 April 2009 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 par value. On the same date, the Company issued 1 share at par value of HK\$0.01.

For the purpose of the Financial Information, the share capital in the combined balance sheets as at 31 December 2006, 2007 and 2008 represents the paid-in capital of Top Talent.

Share capital in the combined balance sheets as at 30 June 2009 represents the nominal value of the share capital of the Company.

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.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***19 CAPITAL AND RESERVES** *(continued)***(b) Reserves****(i) Other reserve**

Other reserve of the Group as at 31 December 2006, 2007 and 2008 represents the difference between the aggregate amount of paid-in capital of the companies now comprising the Group and the nominal value of the share capital of Top Talent, after elimination of investments in subsidiaries.

On 22 December 2006, Daoyue was established in the PRC with registered and fully paid capital of RMB50,000,000. The amount is recorded in "Other reserve" as if the current group structure had been in existence since 1 January 2006.

On 16 May 2008, Daoyue increased its registered and fully paid capital by RMB50,000,000. The amount is recorded in "Other reserve".

On 7 January 2009, Daoyue further increased its registered and fully paid capital by RMB100,000,000. The amount is recorded in "Other reserve".

Pursuant to written resolutions of the board of directors of Good Sign passed on 17 March 2009, Good Sign acquired 90% equity interest in Daoyue from Shenzhen Huayu Investment & Development (Group) Co. Ltd., a company under common control by the Controlling Shareholder for a cash consideration of RMB180,000,000. As a result of the acquisition, Daoyue became a subsidiary of Good Sign. Accordingly, elimination of Good Sign's investment in Daoyue and the paid up capital of Daoyue was reflected as a reduction in "Other reserve" for the six months ended 30 June 2009.

Other reserve of the Group as at 30 June 2009 represents the difference between the historical carrying value of the shares of Daoyue acquired and the acquisition consideration paid by Good Sign.



**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***19 CAPITAL AND RESERVES** *(continued)***(b) Reserves** *(continued)***(ii) Exchange reserve**

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

**(iii) Distributable reserve**

The Company was incorporated on 21 April 2009 and has not carried out any operation since the date of its incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 30 June 2009.

**(c) 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 by securing access to finance at a reasonable cost.

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.

Consistent with industry practice, the Group monitors its capital structure on the basis of a debt-to-equity ratio. For this purpose, debt is defined as total debt (which includes accruals and other payables, amounts due to controlling shareholder of the Company and a related company). Equity comprises all components of equity.

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 19 CAPITAL AND RESERVES (continued)

## (c) Capital management (continued)

The debt-to-equity ratio of the Group at 31 December 2006, 2007, 2008 and 30 June 2009 is as follows:

	Note	As at 31 December			As at
		2006	2007	2008	30 June
		HK\$'000	HK\$'000	HK\$'000	2009
					HK\$'000
Current liabilities:					
Accruals and other payables	16	14	13	27,949	30,974
Amount due to controlling shareholder of the Company	14	13	20	349	211,534
Amount due to a related company	14	2,825	6,658	—	—
		2,852	6,691	28,298	242,508
Non-current liabilities:					
Long-term bank loan	18	—	—	—	170,520
<b>Total debt</b>		<b>2,852</b>	<b>6,691</b>	<b>28,298</b>	<b>413,028</b>
<b>Total equity</b>		<b>49,267</b>	<b>52,326</b>	<b>109,656</b>	<b>16,409</b>
<b>Debt-to-equity ratio</b>		<b>6%</b>	<b>13%</b>	<b>26%</b>	<b>2,517%</b>

## 20 FINANCIAL INSTRUMENTS

This note presents information about the Group's exposure to credit, liquidity, interest rate, business risks and the Group's objectives, policies and processes for measuring and managing these risks.

## (a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's prepayments and other receivables and deposits with banks.

## (i) Prepayments and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each contractor for expressway construction. Individual credit evaluations are performed on all contractors. These evaluations focus on the contractor's past history of construction work performance and current ability to fulfil the contract, and take into account information specific to the contractor as well as pertaining to the economic environment in which the contractor operates. The Group does not collect collateral in respect of prepayments and other receivables. Contract guarantee deposits of HK\$27,895,000 and HK\$28,524,000 recognised in accruals and other payables as at 31 December 2008 and 30 June 2009 were received from independent contractors. The Group also regularly monitors the construction progress.

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 20 FINANCIAL INSTRUMENTS (continued)

## (a) Credit risk (continued)

## (ii) Deposits with bank

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

## (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. The Group's policy is to regularly monitor its current and expected 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 table details the remaining contractual maturities at the balance sheet date of the Group'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 balance sheet date) and the earliest date the Group can be required to pay:

	As at 31 December										As at 30 June			
	2006			2007			2008				2009			
	Total contractual		Within 1 year	Total contractual		Within 1 year	Total contractual		Within 1 year	More than 1 year	Total contractual		Within 1 year	More than 1 year
	Carrying amount	undiscounted cash outflow	or on demand	Carrying amount	undiscounted cash outflow	or on demand	Carrying amount	undiscounted cash outflow	or on demand	1 year	Carrying amount	undiscounted cash outflow	or on demand	More than 1 year
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
Accruals and other payables	14	14	14	13	13	13	27,949	27,949	54	27,895	30,974	30,974	2,450	28,524
Amount due to controlling shareholder of the Company	13	13	13	20	20	20	349	349	349	—	211,534	211,534	211,534	—
Amount due to a related company	2,825	2,825	2,825	6,658	6,658	6,658	—	—	—	—	—	—	—	—
Long-term bank loan	—	—	—	—	—	—	—	—	—	—	170,520	232,018	—	232,018
	2,852	2,852	2,852	6,691	6,691	6,691	28,298	28,298	403	27,895	413,028	474,526	213,984	260,542

## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 20 FINANCIAL INSTRUMENTS (continued)

## (c) Interest rate risk

## (i) Interest rate profile

The Group's interest rates risk arises primarily from cash at bank and long-term 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, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the balance sheet date would not affect profit or loss. The following table details the interest rate profile of the Group at the balance sheet date:

	As at 31 December						As at 30 June	
	2006		2007		2008		2009	
	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000	Effective interest rate	Amount HK\$'000
Cash at bank	0.31%	49,824	0.18%	1,479	0.32%	3,793	0.14%	149,473
Long-term bank loan	—	—	—	—	—	—	5.346%	(170,520)
		<u>49,824</u>		<u>1,479</u>		<u>3,793</u>		<u>(21,047)</u>

## (ii) Sensitivity analysis

At 31 December 2006, 2007 and 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss for the year and accumulated losses by approximately HK\$498,000, HK\$15,000 and HK\$38,000 respectively.

At 30 June 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the period and accumulated losses by approximately HK\$210,000.

The sensitivity above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Period.

## (d) Business risk

The tariffs for toll fees are regulated by the relevant provincial price bureau. The Group's future revenue will be subject to tariffs determined by the PRC government. Adjustments of such tariffs will have a significant impact on the Group's future revenue and operating results.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***20 FINANCIAL INSTRUMENTS** *(continued)***(e) Foreign currency risk**

Individual companies within the Group has 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.

**(f) Fair values**

As stated in note 14, the amounts due from/(to) related companies and controlling shareholder of the Company as at 31 December 2006, 2007, 2008 and 30 June 2009 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 2006, 2007, 2008 and 30 June 2009.

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. The respective fair value is estimated by reference to the costs of providing the service under the concession agreement plus an estimated profit margin.

**21 COMMITMENTS****(a) Operating lease commitments**

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	—	247	779	716
After 1 year but within 5 years	—	209	546	230
	—	456	1,325	946
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 1 to 2.5 years with an option to renew the leases upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

**C NOTES TO THE FINANCIAL INFORMATION** (continued)**21 COMMITMENTS** (continued)**(b) Capital commitments**

Capital commitments outstanding at 31 December 2006, 2007, 2008 and 30 June 2009 not provided for in the Financial Information were as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009
				HK\$'000
Contracted for	588	21,222	636,005	766,215
Authorised but not contracted for	—	—	1,189,716	2,442,414
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The capital commitments represent the costs for the construction of the Sui-Yue Expressway (Hunan Section).

**22 MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the related party information disclosed in note 14, the Group entered into the following material related party transactions.

During the Relevant Period, 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.* 深圳華昱投資開發(集團)股份有限公司	Under the control of Controlling Shareholder of the Company
Shenzhen Yong An Ran Engineering and Construction Co. Ltd.* 深圳市永安然工程建設有限公司	Under the control of Controlling Shareholder of the Company

\* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

The Controlling Shareholder of the Company holds 89.12% and 90.67% of equity interest in Shenzhen Huayu Investment & Development (Group) Co. Ltd. during 1 January 2006 to 2 November 2006 and 3 November 2006 to 30 June 2009 and 64.60% of the equity interest in Shenzhen Yong An Ran Engineering and Construction Co. Ltd during the Relevant Period respectively.



## C NOTES TO THE FINANCIAL INFORMATION (continued)

## 22 MATERIAL RELATED PARTY TRANSACTIONS (continued)

## (b) Maximum balances with related parties

The maximum balances with related parties during the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 are as follows:

	Years ended 31 December			Six months ended
	2006	2007	2008	30 June
	HK\$'000	HK\$'000	HK\$'000	2009 HK\$'000
Short term advances from a related party				
— Shenzhen Huayu Investment & Development (Group) Co. Ltd.	2,825	6,658	56,511	344
Short term advances to related parties				
— Shenzhen Huayu Investment & Development (Group) Co. Ltd.	—	—	79,526	67,576
— Shenzhen Yong An Ran Engineering and Construction Co. Ltd.	—	42,888	44,936	—
	—	42,888	124,462	67,576
Short term advances from controlling shareholder of the Company				
— Mr Chan Yeung Nam	13	20	349	211,534

## (c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	Years ended 31 December			Six months ended	
	2006	2007	2008	30 June	
	HK\$'000	HK\$'000	HK\$'000	2008 HK\$'000	2009 HK\$'000
Short-term employee benefits	—	—	18	7	425
Contributions to retirement benefit schemes	—	—	—	—	—
	—	—	18	7	425

Total remuneration is included in "staff costs" (see note 4(a)).



**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***23 THE COMPANY'S BALANCE SHEET**

The Company was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability with an authorised share capital of HK\$380,000, comprising 38,000,000 ordinary shares of HK\$0.01 each. One share was allotted and issued at par on 21 April 2009. No transactions were entered into by the Company since its incorporation up to 30 June 2009.

The holders of 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.

**24 ULTIMATE CONTROLLING COMPANY**

The directors consider the ultimate controlling company of the Company as at 30 June 2009 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 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***25 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *(continued)***(a) 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.

**(b) Depreciation and amortisation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives after taking into account the estimated residual value. Intangible assets — service concession arrangement are amortised on a straight-line basis over the concession period. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation charge to be recorded during any reporting period. The useful lives are based on the industry practice on similar assets.

The depreciation expense and amortisation charge for future periods are adjusted if there are significant changes from previous estimates.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***25 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *(continued)***(c) 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 as per Hong Kong Accounting Standards 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 Relevant Period, 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) during the Relevant Period without taking into account the 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, which are computed at an estimated percentage of the costs.

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 fee, the directors have made reference to the practice for determining management fees for the Group’s project management services in relation to the Sui-Yue Expressway (Hunan Section) during the Relevant Period, whereby the fee is estimated by reference to the total estimated administrative and other expenses as a percentage on the total budgeted costs of the project. The directors of the Company estimated that the percentage of management fee ranged from 2% to 2.5% for the years ended 2006, 2007 and 2008 and six months ended 30 June 2009. Actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the balance sheet date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

**C NOTES TO THE FINANCIAL INFORMATION** *(continued)***26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD**

Up to the date of issue of this Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective in respect of the financial periods included in the Relevant Period, and which have not been adopted in this Financial Information.

	<i>Effective for accounting periods beginning on or after</i>
HKFRS 3 (Revised), <i>Business combinations</i>	1 July 2009
Amendments to HKAS 27, <i>Consolidated and separate financial statements</i>	1 July 2009
Amendments to HKAS 39, <i>Financial instruments:</i> <i>Recognition and measurement — Eligible hedged items</i>	1 July 2009
HK(IFRIC) 17, <i>Distributions of non-cash assets to owners</i>	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations 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 Group's results of operations and financial position.

**D SUBSEQUENT EVENTS**

The following significant events took place subsequent to 30 June 2009:

**(a) Group Reorganisation**

On 30 November 2009, the Company entered into a share transfer agreement (the "agreement") with Velocity. Pursuant to the agreement, Velocity will transfer 100% equity interest of Top Talent to the Company. The Company will issue and allot an additional 299,999,999 shares to Velocity in exchange to the 100% equity interest in Top Talent.

**D SUBSEQUENT EVENTS** *(continued)***(a) Group Reorganisation** *(continued)*

Upon the completion of the share transfer, Top Talent became a wholly-owned subsidiary of the Company and the Group Reorganisation (the “Reorganisation”) has completed on 30 November 2009. The Company became the holding company of the subsidiaries now comprising the Group.

The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

The ultimate controlling shareholder of the Company injected cash of HK\$211 million and HK\$5 million to Top Talent and Good Sign respectively. The cash injection of HK\$216 million in aggregate was completed on 7 December 2009.

On the same day, the ultimate controlling shareholder of the Company, Top Talent, Good Sign and Bright Regent entered into a deed of assignment with the Company, pursuant to which the ultimate controlling shareholder assigned the balances due from each of Top Talent, Good Sign and Bright Regent in the amounts of HK\$452,460,907, HK\$60,002,849 and HK\$924,237 respectively to the Company.

**E SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,  
**KPMG**  
*Certified Public Accountants*  
Hong Kong