

A long-exposure photograph of a multi-lane highway at night. The road is filled with light trails from cars, creating a sense of motion. In the background, a city skyline is visible with several tall buildings illuminated against a dark sky. The overall color palette is dominated by blues and purples, with warm yellow and white light trails.

2011 Interim Report

An aerial, top-down view of a complex highway interchange. The image shows multiple levels of overpasses and ramps, with light trails from vehicles indicating traffic flow. The scene is rendered in a monochromatic blue and white color scheme.

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1823

Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	6
Independent Review Report	10
Consolidated Income Statement	11
Consolidated Statement of Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	15
Condensed Consolidated Cash Flow Statement	16
Notes to the Unaudited Interim Financial Report	17

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Yeung Nam (*Chairman*)
Mai Qing Quan (*Chief Executive Officer*)
Chen Kai Shu
Fu Jie Pin
Chen Min Yong
Zhang Bo Qing
Yue Feng
Mao Hui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

Hu Lie Ge (*Chairman*)
Chu Kin Wang, Peleus
Chen Kai Shu

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1802, 18/F
West Tower
Shun Tak Centre
Sheung Wan
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Management Discussion and Analysis

FINANCIAL REVIEW

TURNOVER AND COST OF CONSTRUCTION SERVICES

Turnover of the Group represented revenue from construction work and project management under the Concession Agreement. For the six months ended 30 June 2011, the Group recorded a turnover of approximately HK\$225.8 million, increased by about 33.4% from the corresponding period last year of approximately HK\$169.3 million. With the increase in the major construction work of the Sui-Yue Expressway (Hunan Section), the Group has increased the investment in the project. Up to 30 June 2011, total investment in the project was approximately HK\$1,258.9 million.

During the period, the expressway was under construction and has not commenced operation. There was no real cash inflow realized/realizable during the construction phase. Accordingly, turnover recorded by the Group is not cash revenue.

INCOME TAX CREDIT AND LOSS FOR THE PERIOD

As the Group made further progress in the Sui-Yue Expressway (Hunan Section) project, we incurred more expenses. However, the Group still not commenced toll road operation in the period. Accordingly, our loss for the six months ended 30 June 2011 increased by 76.4% from approximately HK\$5.9 million for the corresponding period last year to approximately HK\$10.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2011, the Group financed its operations and capital expenditures by the internal resources of the Company and long term bank loans. As at 30 June 2011, total bank loan drawn by the Group was about HK\$565.4 million and the total cash and cash equivalents, including bank deposits and cash on hand was amounted to HK\$81.4 million.

The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operation future development demands for capital. As at 30 June 2011, total available banking facilities of the Group amounted to be RMB1.10 billion from China Merchants Bank, which is mainly for the construction cost of the Sui-Yue Expressway (Hunan Section), among of which the amount of outstanding bank borrowings was HK\$565.4 million. The ratio of total outstanding bank borrowings to equity attributable to shareholders was 89.7%. (As at 31 December 2010: 71.3%)

During the period, the Group has not entered into any interest swap arrangement to hedge against interest rate risks.

EMPLOYEES AND EMOLUMENTS

As at 30 June 2011, the Group employed a total of 53 (2010: 53) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the six month ended 30 June 2011, the Group's total expenses on the remuneration of employees was approximately HK\$7.7 million (2010: HK\$4.1 million).



Management Discussion and Analysis

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

FOREIGN EXCHANGE RISK

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

During the six months ended 30 June 2011, the Group did not hedge any exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group.

PLEDGE OF ASSETS

The banking facilities of RMB1.1 billion from China Merchants Bank was secured by the pledge of the right of receiving tolls in relation to the Sui-Yue Expressway (Hunan Section), when such right is obtained by our Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011. (2010: Nil)

BUSINESS REVIEW

SUI-YUE EXPRESSWAY (HUNAN SECTION)

The Sui-Yue Expressway (Hunan Section) is a dual three-lane expressway with a planned length of approximately 24.08km and will be connecting the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji town to Kunshan in Yueyang City, and connecting to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. It is currently under construction and is planned to be completed by the end of this year. The Group will then operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement under which the Group will have concession period of 27 years from the date of completion.

The construction of the project was in a more advance stage for the six months ended 30 June 2011. According to the construction plan and the present condition, the Group are confident that it can be completed by the end of this year and can commence operation in 2012.

Management Discussion and Analysis



FUTURE PLANS AND PROSPECTS

On 12 April 2011, the Company entered into a share purchase agreement with Mr. Chan Yeung Nam, the Chairman and a substantial shareholder of the Company, to acquire the entire issued share capital of Sumgreat Investments Limited. The consideration for the acquisition is HK\$1.0 billion and shall be satisfied entirely by the allotment and issue of 780,000,000 ordinary shares at an issue price of HK\$1.28 per share.

Sumgreat Investments Limited and its subsidiaries (the “Target Group”) currently has two infrastructure projects, namely the Shuigang Expressway and Shuigang Expressway Extension Line, which are both already in operation and revenue generating. It is also receiving fees for the provision of project management services in respect of the Shahe Road Project and the Hengping Road Project. As such, it is expected that the acquisition will enable the Company to derive immediate substantial earnings and cash flow contribution from it. In addition, it is expected that two further infrastructure projects which are currently under construction by the Target Group, namely the Shenzhen Qingping Expressway and Shenzhen Eastern Expressway, will be in operation by 2013 and 2014 respectively and will contribution additional cash flow to the Group.

In order to fulfill one of the conditions under the share purchase agreement, the Board of Directors of the Company also announced on 12 April 2011 that, the Company intends to issue and place to independent third parties approximately 780,000,000 new shares at a price of approximately HK\$1.28 per placing share.

At the extraordinary general meeting held on 15 July 2011, both resolutions about the share purchase agreement and the specific mandate for the placing of shares were approved by the shareholders of the Company. The group is now working on the other conditions about the acquisition and expects the completion of the acquisition in near future.

In accordance with our development strategy, the Group will pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, we might also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so.

Corporate Governance and Other Information

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

As at 30 June 2011, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of the Company (the "Model Code") contained in the Rules of Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

Name of Directors/ Chief Executive	Nature of Interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in such corporation
Chan Yeung Nam	Interest of controlled corporation ⁽²⁾ and Beneficial Owner	L 1,080,000,000	261.75%

Notes:

1. The Letter "L" denotes the person's long position in such Shares.
2. Mr Chan, an executive Director and Chairman of the Board, is taken to be interested in 300,000,000 Shares held by Velocity International Limited as at the Latest Practicable Date.

Apart from the forgoing, as at 30 June 2011, none of the directors or chief executive of the Company or any of their spouses or children under eighteen years of age had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

The details of the principal terms and conditions of the share option scheme were summarized in the section headed “Share Option Scheme” in Appendix VII to the Prospectus.

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

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

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

As at 30 June 2011, so far as it known to any directors or chief executive of the Company, the persons (other than the directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% or more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of Directors/ Chief Executive	Nature of Interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in such corporation
Velocity International Limited	Beneficial Owner	L 300,000,000	72.71%
Chan Yeung Nam	Interest of controlled corporation ⁽²⁾ and Beneficial Owner	L 1,080,000,000	261.75%

Notes:

1. The Letter “L” denotes the person’s long position in such Shares.
2. Mr. Chan, an executive Director and Chairman of the Board, is taken to be interested in 300,000,000 Shares held by Velocity International Limited as at the Latest Practicable Date.



Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. The audit committee is composed of three independent non-executive directors of the Company, namely Mr. Chu Kin Wang, Peleus, Mr. Sun Xiao Nian and Mr. Hu Lie Ge. Mr. Chu Kin Wang, Peleus is the chairman of the audit committee of the Company. The chairman of the audit committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The audit committee of the Company has met and discussed with the external auditors of the Company, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the results of the Group for the six months ended 30 June 2011. The audit committee considered that the consolidated results of the Group for the six months ended 30 June 2011 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

REVIEW OF THE INTERIM REPORT

The interim financial report for the six months ended 30 June 2011 has not been audited, but have been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the auditors of the Company.

Corporate Governance and Other Information



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code adopted by the Company throughout the period under review.

On behalf of the Board of
Huayu Expressway Group Limited
Chan Yeung Nam
Chairman

Hong Kong, 15 August 2011



Independent Review Report



Independent review report to the board of directors of Huayu Expressway Group Limited

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 11 to 28 which comprises the consolidated statement of financial position of Huayu Expressway Group Limited as at 30 June 2011 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting* adopted by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with HKAS 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

15 August 2011

Consolidated Income Statement

For the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Turnover	3	225,802	169,273
Cost of construction services		(220,834)	(165,549)
Gross profit		4,968	3,724
Other revenue	4	238	973
Other net loss	4	(215)	(225)
Administrative expenses		(15,606)	(10,469)
Loss before taxation	5	(10,615)	(5,997)
Income tax credit	6	208	96
Loss for the period		(10,407)	(5,901)
Attributable to:			
Equity shareholders of the company		(10,340)	(5,564)
Non-controlling interests		(67)	(337)
Loss for the period		(10,407)	(5,901)
Loss per share (HK\$)			
Basic and diluted	7	(0.0251)	(0.0137)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Loss for the period	(10,407)	(5,901)
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of a subsidiary outside Hong Kong	13,454	2,667
Total comprehensive income for the period	3,047	(3,234)
Attributable to:		
Equity shareholders of the company	1,768	(3,164)
Non-controlling interests	1,279	(70)
Total comprehensive income for the period	3,047	(3,234)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2011 – unaudited

	Note	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
Non-current assets			
Property, plant and equipment	8	1,637	1,845
Intangible asset — service concession arrangement	9	1,258,876	1,007,258
Deferred tax assets		2,218	1,967
		1,262,731	1,011,070
Current assets			
Prepayments and other receivables	10	103,674	85,301
Cash and cash equivalents	11	81,359	157,226
		185,033	242,527
Current liabilities			
Accruals and other payables	12	182,417	108,743
Amount due to a related company		717	424
		183,134	109,167
Net current assets		1,899	133,360
Total assets less current liabilities		1,264,630	1,144,430
Non-current liabilities			
Long-term secured bank loan	13	565,363	448,210
NET ASSETS		699,267	696,220

Consolidated Statement of Financial Position

At 30 June 2011 – unaudited

	Note	At 30 June 2011 HK\$'000	At 31 December 2010 HK\$'000
CAPITAL AND RESERVES	14		
Share capital		4,126	4,126
Reserves		625,990	624,222
Total equity attributable to equity shareholders of the company		630,116	628,348
Non-controlling interests		69,151	67,872
TOTAL EQUITY		699,267	696,220

Approved and authorised for issue by the board of directors on 15 August 2011.

Chan Yeung Nam
Director

Mai Qing Quan
Director

The accompanying notes form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 – unaudited

	Attributable to equity shareholders of the company					Total	Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Exchange reserve	Accumulated losses			
	Note 14(a) HK\$'000	Note 14(b)(i) HK\$'000	Note 14(b)(ii) HK\$'000	Note 14(b)(iii) HK\$'000	HK\$'000			
Balance at 1 January 2010	4,000	114,539	502,784	7,264	(17,588)	610,999	30,866	641,865
Changes in equity for the six months ended 30 June 2010:								
Shares issued under placement, net of issuance costs	126	15,505	—	—	—	15,631	—	15,631
Total comprehensive income for the period	—	—	—	2,400	(5,564)	(3,164)	(70)	(3,234)
Balance at 30 June 2010 and 1 July 2010	4,126	130,044	502,784	9,664	(23,152)	623,466	30,796	654,262
Changes in equity for the six months ended 31 December 2010:								
Capital injection by non-controlling interests to a subsidiary	—	—	—	—	—	—	35,035	35,035
Total comprehensive income for the period	—	—	—	11,387	(6,505)	4,882	2,041	6,923
Balance at 31 December 2010 and 1 January 2011	4,126	130,044	502,784	21,051	(29,657)	628,348	67,872	696,220
Changes in equity for the six months ended 30 June 2011:								
Total comprehensive income for the period	—	—	—	11,728	(9,924)	1,768	1,279	3,047
Balance at 30 June 2011	4,126	130,044	502,784	32,779	(39,581)	630,116	69,151	699,267

The accompanying notes form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Cash generated from operations		77,455	52,002
Tax paid		—	—
Net cash generated from operating activities		77,455	52,002
Net cash used in investing activities		(261,891)	(225,088)
Net cash generated from financing activities		106,665	15,631
Net decrease in cash and cash equivalents		(77,771)	(157,455)
Cash and cash equivalents at 1 January		157,226	544,249
Effect of foreign exchange rate changes		1,904	—
Cash and cash equivalents at 30 June	11	81,359	386,794

The accompanying notes form part of this interim financial report.



Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PRESENTATION AND PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, adopted by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 15 August 2011.

The interim financial report has also been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG 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. KPMG’s independent review report to the Board of Directors is included on page 10.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2011.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

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

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments related primarily to clarification of certain disclosure requirements applicable to the group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 TURNOVER

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

4 OTHER REVENUE AND NET LOSS

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Other revenue		
Interest income from bank deposits	238	936
Others	—	37
	238	973
Other net loss		
Net foreign exchange loss	(215)	(225)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		Six months ended 30 June	
		2011	2010
		\$'000	\$'000
(a)	Staff costs:		
	Salaries, wages and other benefits	7,275	4,015
	Contributions to defined contribution retirement plans	418	35
		7,693	4,050

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

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

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

		Six months ended 30 June	
		2011	2010
		\$'000	\$'000
(b)	Other items:		
	Depreciation	266	208
	Operating lease charges in respect of rental of office premises	579	516

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2011 \$'000	2010 \$'000
Deferred tax		
Origination and reversal of temporary differences	(208)	(96)

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision has been made for Hong Kong Profits Tax as the group did not have assessable profits subject to Hong Kong Profits Tax during the periods ended 30 June 2011 and 2010.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiary in the PRC is liable to PRC corporate income tax at a rate of 25% (2010: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the group did not have assessable profits subject to PRC corporate income tax during the periods ended 30 June 2011 and 2010.

7 LOSS PER SHARE

(A) LOSS PER SHARE

The calculation of loss per share is based on the consolidated loss attributable to ordinary equity shareholders of the company for the period of \$10,340,000 (six months ended 30 June 2010: \$5,564,000) and the weighted average number of 412,608,000 (2010: 406,790,000) shares in issue during the interim period.

(B) DILUTED LOSS PER SHARE

There were no dilutive potential ordinary shares for the six months ended 30 June 2011 and 2010, therefore, diluted loss per share is equivalent to basic loss per share.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

	At 30 June 2011 \$'000	At 30 June 2010 \$'000
Net book value, at 1 January	1,845	1,716
Additions	26	68
Depreciation charge for the period	(266)	(208)
Exchange difference	32	13
Net book value, at 30 June	1,637	1,589

9 INTANGIBLE ASSET-SERVICE CONCESSION ARRANGEMENT

	At 30 June 2011 \$'000	At 30 June 2010 \$'000
Cost:		
At 1 January	1,007,258	414,793
Additions	227,976	184,537
Exchange adjustments	23,642	4,592
At 30 June	1,258,876	603,922

The service concession arrangement represents the group's right to operate the Sui-Yue Expressway (Hunan Section) and receive for fees therefrom.

During the period, the group recorded revenue of approximately \$225,802,000 (30 June 2010: \$169,273,000), representing the fair value of the construction work (excluded land collection costs) and project management services provided, with the same amounts recognised as intangible assets-service concession arrangement.

The group recognised land collection costs of \$2,174,000 (30 June 2010: \$15,264,000) during the period as intangible asset-service concession arrangement.

No amortisation is recognised in profit or loss as Sui-Yue Expressway (Hunan Section) is not available for use during the periods ended 30 June 2011 and 30 June 2010.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Prepayments	98,089	84,682
Other receivables	5,585	619
	103,674	85,301

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Deposits with bank	10,381	10,346
Cash at bank and in hand	70,978	146,880
	81,359	157,226

As at 30 June 2011, cash in hand and cash placed with banks in the PRC included in the cash and cash equivalents above amounted to RMB57,114,025 (31 December 2010: RMB117,507,816). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

12 ACCRUALS AND OTHER PAYABLES

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Construction payables	85,218	99,170
Accruals	6,981	9,573
Advance received	90,218	—
	182,417	108,743

Included in accruals and other payables as at 30 June 2011 are contract retention deposits to independent contractors of HK\$58,378,000 which are expected to be settled after more than one year. The advance received expected to be recognised as income after more than 1 year is HK\$69,167,000. All of the remaining accruals and other payables are expected to be settled within one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 LONG-TERM SECURED BANK LOAN

At 30 June 2011, the long-term secured bank loan is repayable as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
After 1 year but within 2 years	12,029	—
After 2 years but within 5 years	108,261	70,770
After 5 years	445,073	377,440
	565,363	448,210

The amounts of banking facilities available and the utilisation at 30 June 2011 and 31 December 2010 are set out as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Facility amount available	757,827	849,240
Amounts utilised	565,363	448,210
Facility amount	1,323,190	1,297,450

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 certain financial covenants. According to the agreement, the group's PRC subsidiary, Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue") is required to invest not less than 35% of the total investment in Sui-Yue Expressway (Hunan Section) and maintain cash on hand at 130% of the 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 Daoyue were to breach the covenants, the drawn down facilities would become payable on demand. The group regularly monitors its compliance with these covenants. Borrowing costs for the six months period ended 30 June 2011 of \$15,808,103 (30 June 2010: \$18,550,000) have been capitalised into intangible asset-service concession arrangement at a variable rate of 5.760-6.120% (30 June 2010: 5.346%) per annum.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS

(A) SHARE CAPITAL

	As at 30 June 2011		As at 31 December 2010	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	412,608,000	4,126	400,000,000	4,000
Share placing and subscription (note)	—	—	12,608,000	126
At 30 June 2011/ 31 December 2010	412,608,000	4,126	412,608,000	4,126

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

Note: On 19 January 2010, 12,608,000 ordinary shares were issued and offered for subscription under the over-allotment option of the company's initial public offering at an issue price of HK\$1.28 per share. Net proceeds of \$15,631,000 (after offsetting issuance expenses of HK\$507,000), out of which \$126,000 and \$15,505,000 were credited to the share capital and share premium account respectively.

(B) RESERVES

(i) Share premium

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(B) RESERVES *(continued)*

(ii) Other reserve

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

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

(iii) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the PRC operation.

(C) DIVIDENDS

The directors do not propose the payment of interim dividend for the six months ended 30 June 2011 (2010: Nil).

15 COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Within 1 year	581	936
After 1 year but within 5 years	476	476
	1,057	1,412

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

15 COMMITMENTS *(continued)*

(B) CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2011 not provided for in the financial statements were as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Contracted for	258,741	527,119
Authorised but not contracted for	479,290	566,909
Acquisition of Subsidiaries*	1,000,000	—

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

* The acquisition will be settled by issue of 780,000,000 ordinary shares of the company at an issue price of HK\$1.28 per share. It was subject to the approval by shareholders at the extraordinary general meeting held on 15 July 2011 (see note 17).

16 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the interim financial report, the group entered into the following material related party transactions.

(A) DURING THE PERIOD, THE DIRECTORS ARE OF THE VIEW THAT THE FOLLOWING INDIVIDUAL AND 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)有限公司**	Under the control of the controlling shareholder of the company

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

** The Company has changed its name from 深圳華昱投資開發(集團)股份有限公司 to 深圳華昱投資開發(集團)有限公司 on 9 December 2010.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Expense paid by a related company on behalf of the group	(280)	(290)

(C) BALANCES WITH RELATED PARTIES

As at the 30 June 2011 and 31 December 2010, the group had the following balances with related parties:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Amount due to a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	(717)	(424)

Balances with related parties represented short term advances made to/from related parties of the group. These short term advances are unsecured and interest free.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(D) KEY MANAGEMENT PERSONNEL REMUNERATION

Remuneration for key management personnel of the group, including amounts paid to the company's directors is as follows:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Basic salaries, allowances and other benefits in kind	3,968	7,671
Contributions to defined contribution retirement scheme	69	99
	4,037	7,770

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

17 SUBSEQUENT EVENTS

On 12 April 2011, the company entered into a share purchase agreement with Mr. Chan Yeung Nam to acquire the entire issued share capital of Sumgreat Investments Limited, a limited company incorporated in the British Virgin Islands (the "Acquisition"). The consideration for the acquisition is HK\$1,000,000,000 and shall be satisfied entirely by the allotment and issue of 780,000,000 ordinary shares at an issue price of HK\$1.28 per share.

On 12 April 2011, the Board of Directors of the company also announced that, in order to fulfill one of the conditions under the share purchase agreement, the company intends to issue and place to independent third parties approximately 780,000,000 new shares at a price of approximately HK\$1.28 per placing share.

At the extraordinary general meeting held on 15 July 2011, the shareholders approved the Acquisition and the share issue.