



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

Interim Report 2015

Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	7
Review Report of Interim Financial Report	11
Consolidated Statement of Profit or Loss	13
Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Changes in Equity	17
Condensed Consolidated Cash Flow Statement	18
Notes to the Unaudited Interim Financial Report	19

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Chan Yeung Nam (*Chairman*)
Mai Qing Quan (*Chief Executive Officer*)
Fu Jie Pin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Green 18
No. 18 Science Park East Avenue
Hong Kong Science Park
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation
Wing Lung Bank

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2015 (the “Period”), the Group recorded revenue of approximately HK\$97.6 million, increased by about 8.0% from the corresponding period last year of approximately HK\$90.4 million. The toll revenue received from the Sui-Yue Expressway (Hunan Section) (the “Expressway”) for the Period was about HK\$76.7 million, increased by 10.4% from about HK\$69.5 million of the corresponding period in 2014. For the Period, the average traffic flow of the Expressway was about 403,000 vehicles per month and had a steady growth over the years. In addition to the toll revenue, the Group also had approximately HK\$20.9 million of rental income from the leasing of the service area along the Expressway.

COST AND GROSS PROFIT

The cost and gross profit of the Group were approximately HK\$38.4 million and HK\$59.2 million for the Period respectively as compared to the corresponding period last year of approximately HK\$33.3 million and HK\$57.1 million respectively. The cost of the Group was mainly the staff cost and the amortization of the concession right of the Expressway. Due to the growth in the traffic flow, the corresponding amortization of the concession right increased during the Period. As a result, the cost of the Group increased by 15.2%. The gross profit for the Period increased by about 3.8% from the corresponding period last year.

OTHER NET INCOME/(LOSS)

The Group recorded other net income of approximately HK\$0.4 million compared to the other net loss of approximately HK\$6.1 million for the corresponding period last year. Other net income and loss mainly represented the exchange difference.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period were approximately HK\$11.7 million which was decreased by about 13.2% from that of the period ended 30 June 2014. Most of the administrative expenses are salary and wages.

FINANCE COSTS

Finance costs of the Group for the Period was approximately HK\$43.8 million and nearly the same as compared to the corresponding period last year.

Management Discussion and Analysis

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity shareholders of the Company for the Period was approximately HK\$2.3 million. The loss attributable to equity shareholder of the Company was about HK\$6.3 million for the corresponding period in 2014. The loss in 2014 was mainly attributable to the exchange loss of HK\$6.1 million recorded in a PRC subsidiary of the Group from the unrealized foreign currency translation of a Hong Kong dollar bank loan as at 30 June 2014.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2015, the Group financed its operations and capital expenditures with internal resources of the Company and long term bank loans. As at 30 June 2015, total bank loans drawn by the Group amounted to about HK\$1,332.9 million (as at 31 December 2014: HK\$1,355.8 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to HK\$15.2 million (as at 31 December 2014: HK\$14.1 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital in future development. As at 30 June 2015, total banking facilities of the Group amounted to HK\$1,394.9 million from China Merchants Bank and Wing Lung Bank Limited, which were mainly for the construction costs of the Expressway, among which the outstanding secured bank loan was HK\$1,332.9 million (as at 31 December 2014: HK\$1,355.8 million). The ratio of total outstanding bank loans to equity attributable to shareholders was 625.2% (as at 31 December 2014: 643.2%).

The Group's borrowings were mainly arranged on a floating rate basis. During the six months ended 30 June 2015, the Group did not enter into any hedging arrangements to hedge against exposure in interest rate risk. Any substantial fluctuation of interest rate may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's interest rate exposure and will consider taking appropriate actions, including but not limited to hedging should the need arises.

EMPLOYEES AND EMOLUMENTS

As at 30 June 2015, the Group employed a total of 249 (as at 31 December 2014: 246) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the six months ended 30 June 2015, the Group's total expenses on the remuneration of employees were approximately HK\$12.5 million (2014: HK\$10.4 million).

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 (Chapter 485 of the Laws of Hong Kong) for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses are also awarded to employees according to the assessment of individual performance.

Management Discussion and Analysis

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.

As at 30 June 2015, the Group had not entered into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arises.

PLEDGE OF ASSETS

As at 30 June 2015, the bank loans of HK\$1,332.9 million from China Merchants Bank and Wing Lung Bank were secured by a pledge of the toll collection right in relation to the Expressway.

BUSINESS REVIEW

SUI-YUE EXPRESSWAY (HUNAN SECTION)

Average traffic flow per month of the Expressway has increased gradually during the Period. Total toll collected during the Period was about HK\$76.7 million. In addition, the Group recorded rental income of about HK\$20.9 million from leasing of the service area along the Expressway during the Period. With these significant amounts of income, the Directors are optimistic about the future prospects of the Expressway.

FUTURE PLANS AND PROSPECTS

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

In accordance with this strategy, the Group will pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, we may also consider to acquire 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. In addition, we will consider developing any infrastructure-related businesses as such opportunity arises.

Management Discussion and Analysis

GOING CONCERN BASIS

At 30 June 2015, the Group's net current liabilities were HK\$759,943,000. The Group is dependent upon the financial support from the Group's bankers, the controlling shareholder, and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. These conditions continue to indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

- i. the Group expects to generate positive operating cash flows for the next twelve months;
- ii. among the current liabilities, HK\$597,975,000 were bank loans from Wing Lung Bank which fall due in October 2016 with payment on demand terms. The Group has secured a contractual right to draw down from a long-term secured bank loan facility from another bank should the loan be recalled on demand by the bank. In addition, the Group expects to comply with bank covenants so that immediate demand for payment is not expected to be triggered in the following 12 months from 30 June 2015;
- iii. advance receipt of HK\$34,239,000 represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;
- iv. the controlling shareholder of the Company has undertaken that repayment of advances of HK\$95,089,000 at 30 June 2015 will not be requested in the following 12 months; and
- v. the Directors are confident that the Group will be able to obtain additional bank loan facilities as and when required.

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

Corporate Governance and Other Information

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

As at 30 June 2015, 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 of Hong Kong Limited (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	Nature of Interest	Number of shares	Percentage
Mr. Chan Yeung Nam (Note)	Interest of controlled corporation	300,000,000	72.71%

Note: Mr. Chan Yeung Nam, an executive Director and chairman of the Board, is deemed to be interested in 300,000,000 shares of the Company held by Velocity International Limited by virtue of it being controlled by him. On 16 July 2015, Velocity International Limited had pledged 300,000,000 Shares in the issued share capital of the Company in favour of Integrated Capital (Asia) Limited as security for a term loan facility provided to Velocity International Limited. For further details, please refer to the announcement of the Company dated 17 June 2015.

Apart from the forgoing, as at 30 June 2015, 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 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 (the “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 maximum number of shares of the Company (“Shares”) which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 23 December 2009, being the date on which the Shares were listed on the Main Board of the Stock Exchange (“Listing Date”), i.e. 40,000,000 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period exceeds 1% of the Company’s shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 30 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the date of offer.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

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

The total number of shares available for issue under the Share Option Scheme is 40,000,000, representing approximately 9.69% and 9.69% of the Company’s issued share capital as at the date of the Company’s 2014 annual report and as at the date of this interim report, respectively.

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.

Corporate Governance and Other Information

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

As at 30 June 2015, so far as is 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% of more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of shareholders	Capacity/Nature of Interest	Long position in ordinary shares held	Percentage of total issued shares
Velocity International Limited (Note 1)	Beneficial owner	300,000,000	72.71%
Integrated Capital (Asia) Limited (Note 2)	Person having security interest in shares	300,000,000	72.71%
Yam Tak Cheung (Note 2)	Interest of Controlled Corporation	300,000,000	72.71%

Notes:

- 1 The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive Director and chairman of the Board.
- 2 On 16 June 2015, Velocity International Limited had pledged 300,000,000 shares in the issue share capital of the Company in favour of Integrated Capital (Asia) Limited (which is wholly-owned by Mr. Yam Tak Cheung) as security for a term loan facility provided to Velocity International Limited, details of which are set out in the announcement of the Company dated 17 June 2015.

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 2015.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. It had adopted the code provisions contained in the Corporate Governance Code ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company had complied with the code provisions contained in the CG Code for the six months ended 30 June 2015.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the reviewing and supervising of the Group's financial reporting process and internal control measures. The audit committee is comprised 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 unaudited results of the Group for the six months ended 30 June 2015. The audit committee considered that the unaudited consolidated results of the Group for the six months ended 30 June 2015 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 2015 has not been audited, but have been reviewed by the audit committee and KPMG, Certified Public Accountants, the auditors of the Company.

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, 21 August 2015

Review Report of Interim Financial Report

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 13 to 30 which comprises the consolidated statement of financial position of Huayu Expressway Group Limited as of 30 June 2015 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months 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 34, *Interim financial reporting*, issued 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 Hong Kong Accounting Standard 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 2015 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Review Report of Interim Financial Report

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which indicates that as of 30 June 2015, the Group's current liabilities exceed its current assets by approximately HK\$759,943,000. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the controlling shareholder, and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. These conditions, along with other matters as set forth in note 1 to the interim financial report, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

21 August 2015

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Revenue	3	97,645	90,389
Cost of sales		(38,413)	(33,333)
Gross profit		59,232	57,056
Other revenue	4	91	232
Other net income/(loss)	4	443	(6,065)
Administrative expenses		(11,749)	(13,541)
Profit from operations		48,017	37,682
Finance costs	5(A)	(43,828)	(43,042)
Profit/(loss) before taxation	5	4,189	(5,360)
Income tax	6	(1,180)	(1,052)
Profit/(loss) for the period		3,009	(6,412)
Attributable to:			
Equity shareholders of the Company		2,296	(6,270)
Non-controlling interests		713	(142)
Profit/(loss) for the period		3,009	(6,412)
Profit/(loss) per share (HK Cents)			
Basic and diluted	7	0.56	(1.52)

The notes on pages 19 to 30 form part of this interim financial report.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2015 – unaudited

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the period	3,009	(6,412)
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– Financial statements of a subsidiary outside Hong Kong	131	(2,736)
Total comprehensive income for the period	3,140	(9,148)
Attributable to:		
Equity shareholders of the Company	2,414	(8,735)
Non-controlling interests	726	(413)
Total comprehensive income for the period	3,140	(9,148)

The notes on pages 19 to 30 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2015 – unaudited

	Note	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Non-current assets			
Property, plant and equipment	8	18,526	19,117
Intangible asset – service concession arrangement	9	1,639,447	1,647,557
Deferred tax assets		148,756	149,880
		1,806,729	1,816,554
Current assets			
Prepayments and other receivables	10	5,346	16,343
Cash and cash equivalents	11	15,203	14,129
		20,549	30,472
Current liabilities			
Accruals and other payables	12	140,884	144,727
Amount due to a related company	16(C)	15,101	18,743
Bank loans	13	624,507	625,408
		780,492	788,878
Net current liabilities		(759,943)	(758,406)
Total assets less current liabilities		1,046,786	1,058,148
Non-current liabilities			
Bank loan	13	708,404	730,416
Amount due to the controlling shareholder of the Company	16(C)	95,089	87,579
		803,493	817,995
NET ASSETS		243,293	240,153

Consolidated Statement of Financial Position

At 30 June 2015 – unaudited

	Note	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
CAPITAL AND RESERVES	14		
Share capital		4,126	4,126
Reserves		209,074	206,660
Total equity attributable to equity shareholders of the company		213,200	210,786
Non-controlling interests		30,093	29,367
TOTAL EQUITY		243,293	240,153

Approved and authorised for issue by the board of directors on 21 August 2015.

Chan Yeung Nam
Director

Mai Qing Quan
Director

The notes on pages 19 to 30 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 – 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)	Note 14(B)(i)	Note 14(B)(ii)	Note 14(B)(iii)				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
Balance at 1 January 2014	4,126	130,044	502,784	56,851	(479,821)	213,984	28,607	242,591
Changes in equity for the six months ended 30 June 2014:								
Loss for the period	-	-	-	-	(6,270)	(6,270)	(142)	(6,412)
Other comprehensive income	-	-	-	(2,465)	-	(2,465)	(271)	(2,736)
Total comprehensive income	-	-	-	(2,465)	(6,270)	(8,735)	(413)	(9,148)
Balance at 30 June 2014 and 1 July 2014	4,126	130,044	502,784	54,386	(486,091)	205,249	28,194	233,443
Changes in equity for the six months ended 31 December 2014:								
Profit for the period	-	-	-	-	3,919	3,919	995	4,914
Other comprehensive income	-	-	-	1,618	-	1,618	178	1,796
Total comprehensive income	-	-	-	1,618	3,919	5,537	1,173	6,710
Balance at 31 December 2014	4,126	130,044	502,784	56,004	(482,172)	210,786	29,367	240,153
Balance at 1 January 2015	4,126	130,044	502,784	56,004	(482,172)	210,786	29,367	240,153
Changes in equity for the six months ended 30 June 2015:								
Profit for the period	-	-	-	-	2,296	2,296	713	3,009
Other comprehensive income	-	-	-	118	-	118	13	131
Total comprehensive income	-	-	-	118	2,296	2,414	726	3,140
Balance at 30 June 2015	4,126	130,044	502,784	56,122	(479,876)	213,200	30,093	243,293

The notes on pages 19 to 30 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015 – unaudited

	Note	Six months ended 30 June	
		2015 HK\$'000	2014 HK\$'000
Operating activities			
Cash generated from operations		83,761	44,805
Tax paid		–	–
Net cash generated from operating activities		83,761	44,805
Investing activities			
Payment for the purchase of fixed assets		(301)	–
Proceeds from disposal of fixed assets		103	–
Payment for intangible assets		(22,653)	(9,066)
Other cash flows arising from investing activities		27	22
Net cash used in investing activities		(22,824)	(9,044)
Financing activities			
Repayment of bank loans		(16,724)	(11,074)
Advances from the controlling shareholder of the Company		7,510	8,000
Borrowing costs paid		(50,668)	(39,411)
Net cash used in financing activities		(59,882)	(42,485)
Net increase/(decrease) in cash and cash equivalents		1,055	(6,724)
Cash and cash equivalents at 1 January		14,129	21,142
Effect of foreign exchange rate changes		19	(254)
Cash and cash equivalents at 30 June	11	15,203	14,164

The notes on pages 19 to 30 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF 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*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 21 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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 11 to 12.

The financial information relating to the financial year ended 31 December 2014 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 2014 are available from the Company's registered office. In the auditors' report dated 27 March 2015, the auditors expressed an unqualified opinion on those financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

At 30 June 2015, the Group's net current liabilities were HK\$759,943,000. The Group is dependent upon the financial support from the bankers and the controlling shareholder, and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. These conditions continue to indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION (CONTINUED)

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

- i the Group expects to generate positive operating cash flows for the next twelve months;
- ii among the current liabilities, HK\$597,975,000 were bank loans from Wing Lung Bank falling due in October 2016 with payment on demand terms. The Group has secured a contractual right to draw down from a long-term secured bank loan facility from another bank should the loan be recalled on demand by the bank. In addition, the Group expects to comply with bank covenants so that immediate demand for payment is not expected to be triggered in the following 12 months from 30 June 2015;
- iii advance receipt of HK\$34,239,000 represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;
- iv the controlling shareholder of the Company has undertaken that repayment of advances of HK\$95,089,000 at 30 June 2015 will not be requested in the following 12 months; and
- v the Directors are confident that the Group will be able to obtain additional bank loan facilities as and when required.

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group's results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE

The principal activities of the Group are operation and management of an expressway in the People's Republic of China ("PRC").

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

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Toll income	76,741	69,508
Rental revenue	20,904	20,881
	97,645	90,389

4 OTHER REVENUE AND NET INCOME/(LOSS)

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
<i>Other revenue</i>		
Billboard rental income	63	210
Interest income from bank deposits	28	22
	91	232
<i>Other net income/(loss)</i>		
Net foreign exchange gain/(loss)	246	(6,071)
Others	197	6
	443	(6,065)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
(A) Finance costs:		
Interest on bank loans	43,828	43,042
(B) Staff costs:		
Salaries, wages and other benefits	10,984	9,175
Contributions to defined contribution retirement plans	1,470	1,208
	12,454	10,383
(C) Other items:		
Depreciation	2,621	2,613
Amortisation (note 9)	26,106	21,934
Operating lease charges in respect of rental of office premises	–	372

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2015 HK\$'000	2014 HK\$'000
Deferred tax		
Origination and reversal of temporary differences	(1,180)	(1,052)

- (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 2015 and 2014.
- (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% (2014: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the subsidiary used its accumulated tax losses carried from previous years.

7 PROFIT/(LOSS) PER SHARE

(A) PROFIT/(LOSS) PER SHARE

The calculation of basic profit/(loss) per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company for the period of HK\$2,296,000 (six months ended 30 June 2014: loss of HK\$6,270,000) and the weighted average number of 412,608,000 (2014: 412,608,000) shares in issue during the interim period.

(B) DILUTED PROFIT/(LOSS) PER SHARE

There were no dilutive potential ordinary shares for the six months ended 30 June 2015 and 2014, therefore, diluted profit/(loss) per share is equivalent to basic profit/(loss) per share.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of equipments with a cost of HK\$2,276,000 (six months ended 30 June 2014: Nil). Items of plant and machinery with a net book value of HK\$62,000 were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Cost:		
At 1 January	2,352,552	2,360,532
Additions	17,365	–
Exchange adjustments	965	(7,980)
At 30 June/31 December	2,370,882	2,352,552
Accumulated amortisation:		
At 1 January	(110,135)	(66,980)
Charge for the period/year	(26,106)	(43,216)
Exchange adjustments	(99)	61
At 30 June/31 December	(136,340)	(110,135)
Accumulated impairment loss:		
At 1 January	(594,860)	(596,879)
Exchange adjustments	(235)	2,019
At 30 June/31 December	(595,095)	(594,860)
Net book value:		
At 30 June/31 December	1,639,447	1,647,557

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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

The amortisation of intangible asset – service concession arrangement is recognised in statement of profit and loss on a unit of usage basis over the estimated useful life, which is the period when it is available for use to the end of the concession period.

During the six months ended 30 June 2015, the Group acquired items of intangible asset with a cost of HK\$17,365,000 (six months ended 30 June 2014: Nil). No items of intangible asset were disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil). No impairment loss is recognised during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

IMPAIRMENT LOSS

The recoverable amount of the cash generating unit containing the Sui-Yue Expressway (Hunan Section) (the "Expressway") was determined by value in use, based on the expected free cash flows up to the end of the service concession arrangement period, and a pre-tax discount rate.

Key assumptions used for the value in use calculation of 2014 are average annual toll revenue growth rate over the concession period of 5%, and pre-tax discount rate of 17.0%.

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

Management are not aware of any significant changes in the assumptions in current period. As the Expressway was written down to recoverable amount in previous periods, any further adverse changes in the key assumptions used in determining the value in use may lead to further impairment of the intangible asset.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Prepayments	4,324	15,424
Other receivables	1,022	919
	5,346	16,343

11 CASH AND CASH EQUIVALENTS

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Cash at bank and in hand	15,203	14,129

12 ACCRUALS AND OTHER PAYABLES

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Construction payables	87,282	103,402
Advance received	34,239	22,183
Accruals	19,363	19,142
	140,884	144,727

Included in accruals and other payables as at 30 June 2015 are contract retention deposits payable to independent contractors of HK\$40,245,000 (2014: HK\$58,121,000), construction fees payables of HK\$46,973,000 (2014: HK\$44,918,000) and advance received of HK\$34,329,000 (2014: HK\$22,183,000). At 30 June 2015, all of the accruals and other payables are expected to be settled or recognised as income within one year (2014: all of the accruals and other payables are expected to be settled or recognised as income within one year).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 BANK LOANS

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
<i>Current liabilities</i>		
Current portion of long-term secured bank loan	26,532	20,949
Bank loan repayable on demand	597,975	604,459
	624,507	625,408
<i>Non-current liabilities</i>		
Long-term secured bank loan	708,404	730,416
	1,332,911	1,355,824

At 30 June 2015 and 31 December 2014, the bank loans were repayable as follows:

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
Within 1 year or on demand	624,507	625,408
After 1 year but within 2 years	33,518	27,932
After 2 years but within 5 years	142,470	125,695
After 5 years	532,416	576,789
	1,332,911	1,355,824

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.

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

The bank loans of the Group are subject to certain financial covenants. The Group regularly monitors its compliance with these covenants, and adheres to the timetable of the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 June 2015, none of the covenants relating to drawn down facilities had been breached (2014: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS

(A) SHARE CAPITAL

	As at 30 June 2015		As at 31 December 2014	
	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	412,608,000	4,126
At 30 June 2015/31 December 2014	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.

(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.

(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 HK\$513,388,000. The difference between the assigned receivable balances over the nominal value of HK\$3,000,000 of the shares issued by the Company in exchange thereof was also recorded in "Other reserve".

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(B) RESERVES (CONTINUED)

(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 Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2015 (2014: Nil).

15 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

At 30 June 2015, The Group had no capital commitments outstanding not provided for in the interim financial report (30 June 2014: Nil).

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.

Notes to the Unaudited Interim Financial Report

(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	
	2015 HK\$'000	2014 HK\$'000
Expense paid on behalf of the Group by a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	154	124
Advance from a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	8,840	2,528
Repayment to a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	12,628	–
Advance from the controlling shareholder of the Company	7,510	8,000

In addition, the rental costs of the Group's Hong Kong office was born by a related party controlled by the controlling shareholder.

(C) BALANCES WITH RELATED PARTIES

As at 30 June 2015 and 31 December 2014, the Group had the following balances with related parties:

	At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
	Amount due to a related company – Shenzhen Huayu Investment & Development (Group) Co., Ltd.	(15,101)
Amount due to the controlling shareholder of the Company	(95,089)	(87,579)
	(110,190)	(106,322)

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