

Huayu 華昱高速集團有限公司
Expressway Group Limited
(Incorporated in the Cayman Islands
with limited liability)

Stock Code: 1823



Interim Report 2016

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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

Unit 1205
12/F, Tower 1
Lippo Centre
Queensway
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

Stevenson, Wong & Co.
4/F, 5/F & 1602
Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2016 (the "Period"), Huayu Expressway Group Limited (the "Company", together with its subsidiaries, the "Group") recorded revenue of approximately HK\$80.3 million, decreased by about 17.7% from the corresponding period last year of approximately HK\$97.6 million. The toll revenue received from the Sui-Yue Expressway (Hunan Section) (the "Expressway") for the Period was about HK\$60.7 million, decreased by 20.9% from about HK\$76.7 million of the corresponding period in 2015. For the Period, the average traffic flow of the Expressway was about 456,000 vehicles per month and had a steady growth over the years. However, due to the recent traffic restrictions in Hunan Province regarding motor vehicles (including measures to raise the toll rate for the overloading portion of trucks and imposition of higher penalty for traffic violations), the toll per vehicle decreased significantly during the Period.

In addition to the toll revenue, the Group also had approximately HK\$19.6 million of rental income from the leasing of the service area along the Expressway. The Group is now negotiating with the lessee on the renewal of the rental agreements of the service areas within the Expressway. Owing to the downturn of the economic environment in the People's Republic of China (the "PRC"), it is estimated that the rental revenue to be generated from service areas within the Expressway will be lower than the amount previously projected.

COST AND GROSS PROFIT

Cost and gross profit of the Group were approximately HK\$36.0 million and HK\$44.3 million for the Period respectively as compared to the corresponding period last year of approximately HK\$38.4 million and HK\$59.2 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 decrease in carrying amount of the intangible asset – service concession arrangement, the corresponding amortization of the concession right decreased during the Period. As a result, the cost of the Group decreased by approximately 6.3%. Due to the decrease in revenue, the gross profit for the Period decreased by about 25.2% from the corresponding period last year.

OTHER REVENUE

Other revenue of the Group was approximately HK\$221,000 (2015: HK\$91,000) for the Period. It mainly represented the rental income generated from the billboard along the Expressway and the interest income generated from bank deposits.

OTHER NET INCOME

The Group recorded other net income of approximately HK\$357,000 (2015: HK\$443,000) for the Period. Other net income mainly represented the compensation received and exchange difference.

Management Discussion and Analysis

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the Period were approximately HK\$12.9 million, increased by about 10.2% from approximately HK\$11.8 million for the corresponding period in 2015. Most of the administrative expenses were salary and wages.

FINANCE COSTS

Finance costs of the Group for the Period were approximately HK\$34.3 million, decreased by about 21.7% from the corresponding period last year of approximately HK\$43.8 million. During the Period, the Group replaced a Hong Kong dollar denominated bank loan of approximately HK\$603 million by a RMB denominated bank loan to reduce the currency risk exposure. Since the RMB denominated bank loan has an interest rate lower than that of the Hong Kong denominated one, the interest expenses dropped significantly during the Period. In addition, the repayment of bank loan and the decrease in interest rate in the PRC contributed to the reduction of the finance costs of the Period.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company for the Period was approximately HK\$4.1 million. The profit attributable to equity shareholder of the Company was about HK\$2.3 million for the corresponding period in 2015. The loss for the Period was mainly due to the decrease in the toll revenue income from the Expressway.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group financed its operations and capital expenditures with internal resources of the Company and long term bank loans. As at 30 June 2016, the total bank loans drawn by the Group amounted to about HK\$1,221.1 million (as at 31 December 2015: HK\$1,290.8 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to HK\$7.4 million (as at 31 December 2015: HK\$9.1 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 2016, the total banking facilities of the Group amounted to HK\$1,221.1 million from China Merchants Bank, which was mainly for the construction costs of the Expressway, among which the outstanding secured bank loans were HK\$1,221.1 million (as at 31 December 2015: HK\$1,290.8 million). The ratio of total outstanding bank loans to equity attributable to shareholders was 124.07 (as at 31 December 2015: 82.59).

The Group's borrowings were mainly arranged on a floating rate basis. During the Period, 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 members of 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.

Management Discussion and Analysis

EMPLOYEES AND EMOLUMENTS

As at 30 June 2016, the Group employed a total of 241 (as at 31 December 2015: 248) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the Period, the Group's total expenses on the remuneration of employees were approximately HK\$9.0 million (2015: HK\$12.5 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 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.

As at 30 June 2016, the Group had not entered into any hedging arrangements to hedge against the 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 2016, the bank loans of HK\$1,221.1 million from China Merchants Bank were secured by a pledge of the toll collection right in relation to the Expressway.

BUSINESS REVIEW

SUI-YUE EXPRESSWAY (HUNAN SECTION)

Even with the economic downturn in the PRC and specific traffic restrictions in Hunan Province regarding motor vehicles (including measures to raise the toll rate for the overloading portion of trucks and imposition of higher penalty for traffic violations), there was an increase of approximately 13.2% in average traffic from about 403,000 vehicles per month for the period ended 30 June 2015 to about 456,000 vehicles per month for the Period. Transportation network improvement around the Expressway caused a slight diversion which impacted on the traffic of the Expressway. Since there was a decrease in the proportion of overloading heavy vehicles, the average toll revenue per vehicle decreased from about HK\$31.7 for the period ended 30 June 2015 to about HK\$22.2 for the Period. As a result, the total toll revenue decreased by about 20.9% to approximately HK\$60.7 million for the Period. With the continuous growth in the traffic flow, the members of the management of the Company are confident that the total toll revenue can be back to the growth track in the near future.

Management Discussion and Analysis

PROSPECT

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

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

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

GEARING RATIO

The gearing ratio of the Group at the end of the Period was approximately 124.07 (2015: approximately 82.59). The gearing ratio represents the ratio of the outstanding loan to the shareholders’ equity of the Group, and the increase of the same was mainly due to the decrease of the shareholders’ equity of the Group.

GOING CONCERN BASIS

During the Period, the Group incurred a net loss of HK\$3,985,000. As of 30 June 2016, the Group had net current liabilities of HK\$126,460,000 and accumulated losses of HK\$730,115,000. The Group is dependent upon the financial support from the bankers and the Company’s 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.

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 the controlling shareholder of the Company has undertaken that repayment of advances of HK\$103,089,000 and advance from a related party of HK\$77,301,000 as at 30 June 2016 will not be requested until after 31 December 2018 and only if the Group is in a position to meet all repayment obligations at that time; and
- iii the controlling shareholder of the Company confirms to provide adequate financial support to the Group as is necessary to ensure its continuing operation for a period of at least 12 months from the end of the reporting period.

Consequently, the interim financial report has been prepared on a going concern basis. The interim financial report does not include any adjustments that would result should the Group be unable to operate as a going concern.

Corporate Governance and Other Information

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, 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 (the "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 of the Company 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 (the "Model Code") contained in the Rules of Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "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 of the Directors, is deemed to be interested in 300,000,000 shares of the Company held by Velocity International Limited by virtue of it being wholly-owned by him. On 16 July 2015, Velocity International Limited pledged 300,000,000 shares in the issued share capital of the Company (the "Shares") 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 2016, 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 positions 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 during the Period 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 interests 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 which may be issued upon exercise of all options (the “Option”) 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 (the “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 the grantee in any 12-month period exceeds 1% of the Shares in issue from time to time.

The 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 of the Directors 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 Option 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 offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further Option 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 Option has 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 2015 annual report and as at the date of this interim report, respectively.

Corporate Governance and Other Information

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 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 2016, 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% 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 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 pledged 300,000,000 Shares 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 purchased, sold or redeemed any of the Shares for the Period.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of its shareholders. It had adopted the code provisions contained in the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Listing Rules. The Company has complied with the code provisions contained in the CG Code for the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the “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, 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. 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 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 Period. The Audit Committee considered that the unaudited consolidated results of the Group for the Period are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

REVIEW OF THE INTERIM REPORT

This interim financial report for the Period has not been audited, but has been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the external 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 the Model Code as its own code of conduct for securities transactions. Having made specific enquiry to 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.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to 30 June 2016 up to the date of this interim financial report.

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

Hong Kong, 26 August 2016

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 (“the Company”) and its subsidiaries (together “the Group”) as of 30 June 2016 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 2016 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 the Group incurred a net loss of \$3,985,000 during six months period ended 30 June 2016, and the Group had net current liabilities of \$126,460,000 and accumulated losses of \$730,115,000 as of 30 June 2016. 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.

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

26 August 2016

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Revenue	3	80,332	97,645
Cost of sales		(36,011)	(38,413)
Gross profit		44,321	59,232
Other revenue		221	91
Other net income		357	443
Administrative expenses		(12,948)	(11,749)
Profit from operations		31,951	48,017
Finance costs		(34,339)	(43,828)
(Loss)/profit before taxation	4	(2,388)	4,189
Income tax	5	(1,597)	(1,180)
(Loss)/profit for the period		(3,985)	3,009
Attributable to:			
Equity shareholders of the Company		(4,132)	2,296
Non-controlling interests		147	713
(Loss)/profit for the period		(3,985)	3,009
(Loss)/profit per share (HK Cents)			
Basic and diluted	6	(1.00)	0.56

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 2016 – unaudited

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
(Loss)/profit for the period	(3,985)	3,009
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	(1,835)	131
Total comprehensive income for the period	(5,820)	3,140
Attributable to:		
Equity shareholders of the Company	(5,787)	2,414
Non-controlling interests	(33)	726
Total comprehensive income for the period	(5,820)	3,140

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

Consolidated Statement of Financial Position

At 30 June 2016 – unaudited

	Note	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment		12,226	15,393
Intangible asset – service concession arrangement		1,333,192	1,366,208
Deferred tax assets		134,808	139,131
		1,480,226	1,520,732
Current assets			
Trade and other receivables	7	5,066	4,533
Pledged bank deposits		–	14,395
Cash and cash equivalents		7,406	9,120
		12,472	28,048
Current liabilities			
Accruals and other payables	8	72,439	120,007
Amount due to a related company		–	14,329
Bank loans		66,493	629,278
		138,932	763,614
Net current liabilities		(126,460)	(735,566)
Total assets less current liabilities		1,353,766	785,166
Non-current liabilities			
Bank loan		1,154,593	661,474
Amount due to a related company		77,301	–
Amount due to the controlling shareholder of the Company		103,089	99,089
		1,334,983	760,563
NET ASSETS		18,783	24,603

Consolidated Statement of Financial Position

At 30 June 2016 – unaudited

	Note	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
CAPITAL AND RESERVES			
Share capital		4,126	4,126
Reserves		5,716	11,503
Total equity attributable to equity shareholders of the Company		9,842	15,629
Non-controlling interests		8,941	8,974
TOTAL EQUITY		18,783	24,603

Approved and authorised for issue by the board of directors on 26 August 2016.

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 2016 – unaudited

	Attributable to equity shareholders of the Company						Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Exchange reserve	Accumulated losses	Total		
	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	HK\$'000		
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 and 1 July 2015	4,126	130,044	502,784	56,122	(479,876)	213,200	30,093	243,293
Changes in equity for the six months ended 31 December 2015:								
Loss for the period	-	-	-	-	(183,003)	(183,003)	(19,514)	(202,517)
Other comprehensive income	-	-	-	(14,568)	-	(14,568)	(1,605)	(16,173)
Total comprehensive income	-	-	-	(14,568)	(183,003)	(197,571)	(21,119)	(218,690)
Balance at 31 December 2015	4,126	130,044	502,784	41,554	(662,879)	15,629	8,974	24,603
Balance at 1 January 2016	4,126	130,044	502,784	41,554	(662,879)	15,629	8,974	24,603
Changes in equity for the six months ended 30 June 2016:								
Loss for the period	-	-	-	-	(4,132)	(4,132)	147	(3,985)
Other comprehensive income	-	-	-	(1,655)	-	(1,655)	(180)	(1,835)
Total comprehensive income	-	-	-	(1,655)	(4,132)	(5,787)	(33)	(5,820)
Balance at 30 June 2016	4,126	130,044	502,784	39,899	(667,011)	9,842	8,941	18,783

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 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
Operating activities			
Cash generated from operations		30,095	83,761
Tax paid		–	–
Net cash generated from operating activities		30,095	83,761
Investing activities			
Payment for the purchase of fixed assets		–	(301)
Proceeds from disposal of fixed assets		–	103
Payment for intangible assets		(27,869)	(22,653)
Other cash flows arising from investing activities		16	27
Net cash used in investing activities		(27,853)	(22,824)
Financing activities			
Repayment of bank loans		(631,652)	(16,724)
Advances from the controlling shareholder of the Company		4,000	7,510
Advances from a related company		64,320	–
Borrowing costs paid		(44,744)	(50,668)
Proceeds of bank borrowings		589,780	–
Decrease in restricted cash		14,377	–
Net cash used in financing activities		(3,919)	(59,882)
Net decrease/(increase) in cash and cash equivalents		(1,677)	1,055
Cash and cash equivalents at 1 January		9,120	14,129
Effect of foreign exchange rate changes		(37)	19
Cash and cash equivalents at 30 June	11	7,406	15,203

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 26 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative 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 2015 are available from the Company's registered office. In the auditors' report dated 31 March 2016, 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.

During the periods ended 30 June 2016, the Group incurred a net loss of \$3,985,000. As of 30 June 2016, the Group had net current liabilities of \$126,460,000 and accumulated losses of \$730,115,000. 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 the controlling shareholder of the Company has undertaken that repayment of advances of \$103,089,000 and advance from a related party of \$77,301,000 at 30 June 2016 will not be requested until after 31 December 2018 and only if the Group is in a position to meet all repayment obligations at that time; and
- iii the controlling shareholder confirms to provide adequate financial support to the Group as is necessary to ensure its continuing operation for a period of at least 12 months from the end of the reporting period.

Consequently, the interim financial report has been prepared on a going concern basis. The interim financial report does not include any adjustments that would result should the Group be unable to operate as a going concern.

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. Of these, the following amendment is relevant to the group:

- Amendments to HKAS 38, Clarification of acceptable methods of amortisation

The amendments introduce a rebuttable presumption to HKAS 38 that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are “highly correlated”, or when the intangible asset is expressed as a measure of revenue. The amendments do not have an impact on the Group’s interim financial report as the Group recognised amortisation of intangible asset-service concession arrangement on a unit of usage basis over the estimated useful life, which is not a revenue-based amortisation method.

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 areas. The amount of each significant category of revenue recognised in revenue during the period is as follows:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Toll income	60,691	76,741
Rental revenue	19,641	20,904
	80,332	97,645

4 OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<i>Other revenue</i>		
Billboard rental income	205	63
Interest income from bank deposits	16	28
	221	91
<i>Other net income</i>		
Net foreign exchange (loss)/gain	(471)	246
Others	828	197
	357	443

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
(a) Finance costs:		
Interest on bank loans	34,339	43,828
(b) Staff costs:		
Salaries, wages and other benefits	7,305	10,984
Contributions to defined contribution retirement plans	1,700	1,470
	9,005	12,454
(c) Other items:		
Depreciation	2,909	2,621
Amortisation	24,579	26,106
Operating lease charges in respect of rental of office premises	107	–

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Deferred tax		
Origination and reversal of temporary differences	(1,597)	(1,180)

- (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 2016 and 2015.
- (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% (2015: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the subsidiary utilised its accumulated tax losses carried from previous years.

7 (LOSS)/PROFIT PER SHARE

(A) (LOSS)/PROFIT PER SHARE

The calculation of basic (loss)/profit per share is based on the consolidated loss attributable to ordinary equity shareholders of the Company for the period of \$4,132,000 (six months ended 30 June 2015: profit of \$2,296,000) and the weighted average number of 412,608,000 (2015: 412,608,000) shares in issue during the interim period.

(B) DILUTED (LOSS)/PROFIT PER SHARE

There were no dilutive potential ordinary shares for the six months ended 30 June 2016 and 2015, therefore, diluted (loss)/profit per share is equivalent to basic (loss)/profit per share.

8 PROPERTY, PLANT AND EQUIPMENT

No item was acquired during the six months ended 30 June 2016 (six months ended 30 June 2015: \$2,276,000). No item was disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: \$62,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Cost:		
At 1 January	2,234,444	2,352,552
Additions	18,478	20,045
Exchange adjustments	(44,473)	(138,153)
At 30 June/31 December	2,208,449	2,234,444
Accumulated amortisation:		
At 1 January	150,114	110,135
Charge for the period/year	24,579	48,376
Exchange adjustments	(3,359)	(8,397)
At 30 June/31 December	171,334	150,114
Accumulated impairment loss:		
At 1 January	718,122	594,860
Charge for the period/year	–	157,988
Exchange adjustments	(14,199)	(34,726)
At 30 June/31 December	703,923	718,122
Net book value:		
At 30 June/31 December	1,333,192	1,366,208

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.

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 2015 are average annual toll revenue growth rate over the concession period of 5%, and pre-tax discount rate of 16.3%.

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 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within 1 month	1,581	1,042
Over 1 month	63	84
Trade receivables	1,644	1,126
Prepayments	2,395	2,538
Other receivables	1,027	869
	5,066	4,533

11 CASH AND CASH EQUIVALENTS

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Cash at bank and on hand	7,406	9,120

12 ACCRUALS AND OTHER PAYABLES

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Construction payables	62,358	78,366
Advance received	–	20,888
Accruals	10,081	20,753
	72,439	120,007

Included in accruals and other payables as at 30 June 2016 are contract retention deposits payable to independent contractors of \$24,705,000 (2015: \$36,763,000), construction fees payables of \$37,595,000 (2015: \$41,261,000) and advance received of Nil (2015: \$20,888,000). At 30 June 2016, all of the accruals and other payables are expected to be settled within one year (2015: 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 2016 HK\$'000	At 31 December 2015 HK\$'000
<i>Current liabilities</i>		
Current portion of long-term secured bank loan	66,493	26,301
Bank loan repayable on demand	–	602,977
	66,493	629,278
<i>Non-current liabilities</i>		
Long-term secured bank loan	1,154,593	661,474
	1,221,086	1,290,752

At 30 June 2016 and 31 December 2015, the bank loans were repayable as follows:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within 1 year or on demand	66,493	629,278
After 1 year but within 2 years	78,193	32,877
After 2 years but within 5 years	263,250	138,084
After 5 years	813,150	490,513
	1,221,086	1,290,752

The Group's rights to operate the Expressway and receive toll fees therefrom, have been pledged to secure the bank loans.

The bank loans are subject to certain covenants and the Group's PRC subsidiary, Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue"), is required to obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years till 2027. The Group regularly monitors its compliance with these covenants, and adheres to the timetable of the scheduled repayments of the term loans. As at 30 June 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS

(A) SHARE CAPITAL

	2016		2015	
	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 2016/31 December 2015	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 \$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".

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 2016 (2015: Nil).

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

At 30 June 2016, The Group had no capital commitments outstanding not provided for in the interim financial report (31 December 2015: 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
Sansung Life Sciences Ltd. 三生健康科學有限公司	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	
	2016 HK\$'000	2015 HK\$'000
Expense paid on behalf of the Group by Shenzhen Huayu Investment & Development (Group) Co., Ltd.	72	154
Advance from Shenzhen Huayu Investment & Development (Group) Co., Ltd.	63,183	8,840
Repayment to Shenzhen Huayu Investment & Development (Group) Co., Ltd.	–	12,628
Advance from the controlling shareholder of the Company	4,000	7,510

In addition, the rental costs of the Group's Hong Kong office during the six months ended 30 June 2015 was borne by Samsung Life Sciences Ltd..

(C) BALANCES WITH RELATED PARTIES

As at 30 June 2016 and 31 December 2015, the Group had the following balances with related parties:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
	Amount due to Shenzhen Huayu Investment & Development (Group) Co., Ltd.	77,301
Amount due to the controlling shareholder of the Company	103,089	99,089
	180,390	113,418

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