

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

2021
ANNUAL REPORT

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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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1205
12/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman
KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Stevenson, Wong & Co.
39/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Financial Summary

For the year ended 31 December

RESULTS	2021 HK\$'000	2020 HK\$'000 (restated)	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	1,047,888	580,126	456,986	204,456	166,928
Profit before taxation	233,040	111,493	96,409	47,036	24,090
Income tax	(71,082)	(24,610)	(27,784)	39,633	(5,438)
Profit for the year	161,958	86,883	68,625	86,669	18,652
Attributable to:					
Equity shareholders of the Company	104,237	73,911	50,420	76,580	15,845
Non-controlling interests	57,721	12,972	18,205	10,089	2,807
Profit for the year	161,958	86,883	68,625	86,669	18,652

At 31 December

ASSETS AND LIABILITIES	2021 HK\$'000	2020 HK\$'000 (restated)	2019 HK\$'000 (restated)	2018 HK\$'000	2017 HK\$'000
Total assets	2,333,696	2,120,334	2,040,939	1,948,745	1,610,213
Total liabilities	(1,455,416)	(1,302,544)	(1,346,269)	(1,456,049)	(1,575,922)
	878,280	817,790	694,670	492,696	34,291
Attributable to:					
Equity shareholders of the Company	576,798	612,441	514,980	409,856	22,120
Non-controlling interests	301,482	205,349	179,690	82,840	12,171
	878,280	817,790	694,670	492,696	34,291

As set out in note 1(B) to the financial statements, Huayu Expressway Group Limited and its subsidiaries has applied AG5 to account for business combination under common control in current year and retrospective adjustments have been made. The financial information for the assets and liabilities of 2020 and 2019 and the results of 2020 have been restated accordingly to conform with the current year's presentation. For the interests of shareholders, financial information for assets and liabilities for 2017 and 2018 and the result for 2017, 2018 and 2019 are not restated.

Chairman Statement

On behalf of the board (the “Board”) of directors (the “Directors”) of Huayu Expressway Group Limited (the “Company”), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021.

From mid-2020, with the ease of restrictions and resumption of economic activities in the PRC, the most difficult period was over and our business has been back to normal. With the significant growth in the liquor and spirits trading business, we have a total revenue of about HK\$1,047.9 million, representing about 80.6% increase from the year ended 31 December 2020 (restated). Profit for the year reached the historical high of about HK\$162.0 million for the year ended 31 December 2021, about 1.9 times of that for the year ended 31 December 2020 (restated). Earnings per share was about HK25.26 cents.

About the Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”), the toll fee revenue for the year ended 31 December 2021 was about HK\$217.7 million, increased by about 55.0% from that for the year ended 31 December 2020. The traffic of the Sui-Yue Expressway was back to the pre-pandemic level. Average traffic flow for the year ended 31 December 2021 was about 1.06 million vehicles per month. The Sui-Yue Expressway is located in Hunan Province, which is one of the high economic growth provinces in the PRC. Since the adjacent expressway network system was completed in the past few years and the outperformed economic growth in the region, the Sui-Yue Expressway is expected to have a steady growth in the future. It will also provide a steady revenue and cashflow to the Group.

During the year, we have acquired 60% interests in the First Phase of Qing Ping Expressway (the “Qing Ping Expressway”), which is located in Shenzhen connecting Shenzhen Qingshuihe Checkpoint and Bulong Interchange on Shuigang Expressway. The Qing Ping Expressway provides a good source of income and cashflow to the Group. For the year ended 31 December 2021, it brought revenue of about HK\$107.2 million to the Group. Average monthly traffic flow for the Qing Ping Expressway was about 2.2 million vehicles per month.

About the liquor and spirits trading business, the lock-down of the PRC cities during the COVID-19 pandemic period discouraged the consumption of liquor and spirits in social gathering and business entertainment in 2020. For the year ended 31 December 2021, the sales of liquor and spirits recovered significantly. The Group achieved the sales of about HK\$723.0 million for the year, about double the sales for the year ended 31 December 2020. With the success in the brand building and the development of sales and distribution network about Huamaojiu, we were granted the sole distributorship of another brand of wine during the year, the Xijiushaofang. With the excellent quality and brand position of Huamaojiu and Xijiushaofang in the PRC wine market, the liquor and spirits trading business became one of the most significant segments in the Group.

With the success in the liquor and spirits trading business, we are keeping our eyes on other prosperous business opportunities. In accordance with our strategy, we will pursue other infrastructure projects in China whenever suitable opportunities arise. Apart from developing new infrastructure projects, we might also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government, if it is commercially viable to do so. Furthermore, we will also consider extending our operations to include other prosperous businesses once favourable opportunities appear.

Chan Yeung Nam

Chairman

Hong Kong, 25 March 2022

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

From mid-2020, with the ease of restrictions and resumption of the economy in the PRC, the most difficult period was over and the business has been rapidly back to normal. For the year ended 31 December 2021, the total revenue of the Group increased to about HK\$1,047.9 million and the profit for the year was about HK\$162.0 million.

REVENUE

For the year ended 31 December 2021, the Group recorded revenue of approximately HK\$1,047.9 million, increased by 80.6% from that for the year ended 31 December 2020 (restated) of approximately HK\$580.1 million. The toll revenue received from the Sui-Yue Expressway and Qing Ping Expressway (collectively the “Expressways”) was about HK\$324.9 million for the year ended 31 December 2021, increased by 51.3% from about HK\$214.7 million for the year ended 31 December 2020. For the Sui-Yue Expressway, the toll revenue and the traffic flow were about HK\$217.7 million and 12.7 million vehicles respectively for the year ended 31 December 2021, increased by about 55.0% and 37.1% from that for the year ended 31 December 2020. The toll revenue and the traffic flow of the Qing Ping Expressway were about HK\$107.2 million and 27.0 million vehicles respectively, increased by about 44.5% and 29.3% from that for the year ended 31 December 2020. On the other hand, the revenue from the sales of liquor and spirits was about HK\$723.0 million for the year ended 31 December 2021, increased significantly by 97.8% from that for the year ended 31 December 2020.

About the traffic volume of the Expressways, the total tolled vehicles using the Sui-Yue Expressway and Qing Ping Expressway for the year ended 31 December 2021 were about 12.7 million and 27.0 million respectively, representing increases of about 37.1% and 29.3% from that for the year ended 31 December 2020. The major reason for the increase was the implementation of toll fee exemption policy in the first half of 2020. With the resumption of economic activities in the PRC after the pandemic period, the business of the Expressways was back to the right track.

For the sales of liquor and spirits, the lock-down of the PRC cities during the pandemic period discouraged the consumption of liquor and spirits in social gathering and business entertainment in the first half of 2020. With the reopening of economic activities, the sales of liquor and spirits recovered significantly for the year ended 31 December 2021. The total revenue was about HK\$723.0 million for the year ended 31 December 2021, increased by about 97.8% from that of HK\$365.5 million for the year ended 31 December 2020. The increase in the unit selling price of our Huamaojiu due to the high demand was one of the major reasons for the big jump of revenue for the year ended 31 December 2021. In addition, the Group was granted the sole distributorship for another brand of wine, Xijiushaofang (習酒燒坊), which contributed about one-fifth of the total revenue of the liquors and spirits business.

Management Discussion and Analysis

COST AND GROSS PROFIT

The Group had a gross profit of about HK\$400.0 million for the year ended 31 December 2021, increased by 96.0% from about HK\$204.1 million for the year ended 31 December 2020 (restated). The increase in gross profit was mainly due to the increase in the revenues after the COVID-19 pandemic period in mid-2020.

The gross profit ratio was about 38.2% for the year ended 31 December 2021, increased from about 35.2% for the year ended 31 December 2020 (restated). For the Sui-Yue Expressway, the cost of sales was about HK\$69.1 million and the gross profit ratio was about 68.3% for the year ended 31 December 2021. On the other hand, the cost of sales and the gross profit ratio of the Qing Ping Expressway were about HK\$74.1 million and 30.8% respectively for the year ended 31 December 2021. The gross profit ratios of the Expressways increased from 58.9% of the Sui-Yue Expressway and 23.3% of the Qing Ping Expressway for the year ended 31 December 2020 mainly because of the toll fee exemption policy during the COVID-19 pandemic period in mid-2020.

The total cost of sales for the liquor and spirits trading business was about HK\$504.7 million and its gross profit ratio was about 30.2% for the year ended 31 December 2021. The increase in gross profit ratio from about 28.5% of the year ended 31 December 2020 was mainly due to the increase in the unit selling price during the year ended 31 December 2021.

OTHER REVENUE AND OTHER NET INCOME

The Group recorded other revenue of approximately HK\$6.2 million and HK\$4.3 million for the year ended 31 December 2021 and 2020 (restated) respectively. In addition, the other net income were about HK\$5.8 million and HK\$15.7 million for the year ended 31 December 2021 and 2020 (restated) respectively. Other revenue of the Group was mainly the rental income from the billboards along the Expressways and interest income from bank deposits. Other net income mainly represented the exchange gain and compensation income for traffic accidents from the Expressways users.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2021 were approximately HK\$105.4 million, increased by 111.5% from approximately HK\$49.8 million for the year ended 31 December 2020 (restated). The increase was mainly because of the increase in staff costs about the expansion of liquor and spirits trading business and the share-based payment expenses of about HK\$42.5 million about the granting share options during the year ended 31 December 2021.

Management Discussion and Analysis

SELLING AND DISTRIBUTION COSTS

The Group recorded about HK\$31.1 million selling and distribution costs, including advertising fee and staff salary for the year ended 31 December 2021, significantly increased by 190.9% from about HK\$10.7 million for the year ended 31 December 2020. The amount was mainly used for the liquor and spirits trading business. Since the reopening of economic activities and ease of social distance restriction requirements after the COVID-19 pandemic period in mid-2020, the Group significantly increased the amount spent on advertising campaigns and promotion events during the year ended 31 December 2021.

FINANCIAL COSTS

For the year ended 31 December 2021, the finance costs of the Group were about HK\$59.5 million, increased by 7.1% from approximately HK\$55.5 million for the year ended 31 December 2020 (restated). The increase was mainly due to the increase of the amount of total bank loans during the year ended 31 December 2021.

PROFIT FOR THE YEAR

For the year ended 31 December 2021, the Group recorded profit before taxation of about HK\$233.0 million, increased by about 109.0% from about HK\$111.5 million for the year ended 31 December 2020 (restated). The Group had a profit of approximately HK\$162.0 million and a profit attributable to equity shareholders of the Company of approximately HK\$104.2 million for the year ended 31 December 2021, compared to about HK\$86.9 million and a profit attributable to equity shareholders of the Company of approximately HK\$73.9 million for the year ended 31 December 2020 (restated). The increase of the profit for the year was mainly attributed by the significant growth in the trading of liquor and spirits business following the ease of restrictions and the resumption of economic activities in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2021, the Group financed its operations and capital expenditures by internal resources of the Company, borrowings from the controlling shareholder of the Company, the non-controlling shareholder of Hunan Daoyue Expressway Industry Co., Ltd. and bank loans. As at 31 December 2021, total bank loans drawn by the Group amounted to about HK\$1,208.3 million (2020: (restated) approximately HK\$1,089 million), the amount due to the controlling shareholder of the Company was HK\$102.0 million (2020: HK\$102.0 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately HK\$332.6 million (2020: (restated) approximately HK\$246.5 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient cash and bank balances and standby banking facilities to cope with daily operation and any demands for capital in future development. As at 31 December 2021, total banking facilities of the Group amounted to approximately HK\$1,208.3 million from China Merchants Bank, which were mainly for the settlement of construction costs of the Sui-Yue Expressway. The ratio of total outstanding bank loans and other borrowings and lease liabilities to total equity was 1.38 (2020: (restated) 1.34).

Management Discussion and Analysis

As at 31 December 2021, the bank loans and other borrowings were repayable as follows:

	2021 HK\$'000	2020 HK\$'000 (restated)
Within 1 year or on demand	134,541	154,466
After 1 year but within 2 years	97,848	118,820
After 2 years but within 5 years	293,544	507,563
After 5 years	682,396	308,932
	1,208,329	1,089,781

The Group's borrowings were mainly arranged on a floating rate basis. During the year ended 31 December 2021, 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 arise.

INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

The service concession arrangement represents the right of the Group to operate the Expressways and receive toll fees therefrom. According to the accounting policy adopted by the Group, the amount of the intangible asset is subject to the periodical impairment review. To facilitate the review, an independent valuation was performed by an independent valuer, Ernst & Young Transactions Limited, to determine the value in use of the cash generating unit as at 31 December 2021. No further impairment was recognised for the year ended 31 December 2021.

FOREIGN CURRENCY 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 31 December 2021, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group, the management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2021, the bank loan of HK\$1,171.6 million from China Merchants Bank was secured by the pledge of the toll collection right in relation to the Sui-Yue Expressway.

CAPITAL COMMITMENTS

As at 31 December 2021, there was no material capital commitment outstanding for the Company.

BUSINESS REVIEW

SUI-YUE EXPRESSWAY

Due to the COVID-19 pandemic and the toll fee exemption policy, the operation of the Sui-Yue Expressway was significantly affected in 2020. With the resumption of the economy after the lock down policy, the economic activities were back to normal in 2021. Average traffic flow for the year ended 31 December 2021 was about 1.06 million vehicles per month, which significantly increased from about 771,000 vehicles per month for the year ended 31 December 2020. The average toll for the year was about HK\$17.2 per vehicle, increased by 13.2% from HK\$15.2 per vehicle for the year ended 31 December 2020.

QING PING EXPRESSWAY

On 7 April 2021, the Group entered into an equity transfer agreement to acquire 60% interests in Shenzhen Huayu Expressway Investment Co., Ltd., which possessed an exclusive right to operate the Qing Ping Expressway. The Qing Ping Expressway is a six-lane expressway that connects Shenzhen Qingshuihe Checkpoint and Bulong Interchange on Shuiguan Expressway. Shuiguan Expressway is a major expressway linking the central business district of Shenzhen with Longgang District and Pingshan New Zone. Completion of the acquisition took place on 29 June 2021.

For the year ended 31 December 2021, the total toll revenue of the Qing Ping Expressway was about HK\$107.2 million, increased by 44.5% from about HK\$74.2 million for the year ended 31 December 2020. The average traffic flow for the year was about 2.2 million vehicles per month, increased by about 29.3% from about 1.7 million vehicles per month for the year ended 31 December 2020. Average toll for the year ended 31 December 2021 was about HK\$4.0 per vehicle.

Management Discussion and Analysis

TRADING OF LIQUOR AND SPIRITS

With the ease of restrictions and resumption of the economy in the PRC after the COVID-19 pandemic period in mid-2020, the demand and consumption of liquor and spirits resumed rapidly. For the year ended 31 December 2021, the Group recorded total revenue of about HK\$723.0 million, which was about double of that for the year ended 31 December 2020. During the year ended 31 December 2021, more active marketing campaigns and promotions were organised, such as wine tasting conference, sponsorship of major sports events, billboard advertisements in major airports and transportation hubs in the PRC, advertisements in major TV channels, and etc. With the established marketing networks and efficient distribution channels, the reportable segment profit (adjusted EBITDA) for the year ended 31 December 2021 of the liquor and spirits segment was about HK\$154.8 million, increased by about 93.2% from that for the year ended 31 December 2020.

SPECIAL INTERIM DIVIDEND

The Group declared a special interim dividend of HK\$0.06 per share to the shareholders of the Company on 31 May 2021 after considering the business, financial and cashflow position of the Group. The dividend was paid on 9 July 2021.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2021, the Group had a total of 480 (2020 (restated): 482) employees in the PRC and Hong Kong which included management staff, engineers and technicians. For the year ended 31 December 2021, the Group's total expenses on the remuneration of employees were approximately HK\$107.34 million (2020 (restated): HK\$50.7 million), of which there was an amount of about HK\$42.5 million of share-based payment expenses from the share options granted during the year (2020: HK\$1.7 million).

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

The Company adopted a share option scheme on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. 40,000,000 options have been granted under the share option scheme as at 31 December 2021.

Management Discussion and Analysis

PROSPECTS

With the outbreak of the COVID-19 pandemic in the PRC in 2020, the Group faced an unprecedented challenge in its business. But from mid-2020, with the ease of restrictions and resumption of the economy in the PRC, the most difficult period was over and the business has been rapidly back to normal. During the year, the traffic flow and the toll revenue of the Expressways resumed to the level before the pandemic period. Although there were some occasional, short interruptions in the operation because of the minor occasional COVID-19 outbreak throughout the year ended 31 December 2021, with the recovery and growth in the economic activities around the Expressways, the future of the expressway business is prosperous.

During the year ended 31 December 2021, the Group acquired 60% equity interests of the Qing Ping Expressway. The acquisition will expand the Group's portfolio of experience in managing and operating expressways, which will give the Group a competitive edge when bidding for construction, operation and management rights of other expressways in the PRC in the future. Therefore, the acquisition will further increase the market shares and scale of the Group's core business, producing great synergistic effect in terms of business growth and the Group's future developments. As the Qing Ping Expressway is located in Shenzhen, one of the major cities in the PRC, the prospect of it is promising. The Group believes that the acquisition can enhance the Group's competitiveness, further strengthen the Group's reputation within the industry and improve its earning base in the future.

The business of trading liquor and spirits also recovered and improved significantly during the year ended 31 December 2021. The Group is full of confidence about the performance of this business segment in the post COVID-19 pandemic period. With the established marketing network and efficient distribution channel, the Group will continue its effort in the brand building for the Huamaojiu and Xijiushaofang. More sales and marketing activities will be arranged, such as the wine tasting events and promotion conference.

With the experience of 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 the said strategy, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, the Group may also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so. Furthermore, with the success in the developing business in trading liquor and spirits, the Group will also consider extending its operation to include some other prosperous businesses once favourable opportunity appears.

Corporate Governance Report

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

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance. For the year ended 31 December 2021, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2021.

BOARD OF DIRECTORS

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

As at 31 December 2021, the Board comprised three executive Directors and three independent non-executive Directors. Biographical details of the Directors are set out in the section headed “Directors and Senior Management” of this annual report.

Corporate Governance Report

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

	Board <i>Note</i>	General Meeting <i>Note</i>	Audit Committee <i>Note</i>	Remuneration Committee <i>Note</i>	Nomination Committee <i>Note</i>
<i>Executive Directors</i>					
Chan Yeung Nam	9/9	0/2	N/A	N/A	N/A
Mai Qing Quan	9/9	0/2	N/A	N/A	N/A
Fu Jie Pin	9/9	0/2	N/A	2/2	1/1
<i>Independent non-executive Directors</i>					
Sun Xiao Nian	9/9	0/2	2/2	N/A	1/1
Chu Kin Wang, Peleus	9/9	2/2	2/2	2/2	N/A
Hu Lie Ge	9/9	0/2	2/2	2/2	1/1

Note: Number of meetings attended/Number of meetings held

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

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

Corporate Governance Report

THE ROLES OF CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

TERMS OF APPOINTMENT OF DIRECTORS

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

DIRECTORS’ AND OFFICERS’ INSURANCE

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

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the CG Code, all Directors should participate in continuing professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors have been informed of the requirement under the CG Code regarding continuing professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuing professional development for the year ended 31 December 2021:

	Training activities undertaken
<i>Executive Directors</i>	
Chan Yeung Nam	A
Mai Qing Quan	A
Fu Jie Pin	A
<i>Independent non-executive Directors</i>	
Sun Xiao Nian	A
Chu Kin Wang, Peleus	A and B
Hu Lie Ge	A

Notes:

A: attending briefing sessions and/or seminars

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

BOARD DIVERSITY POLICY

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

Corporate Governance Report

NOMINATION POLICY

The nomination policy of Company aims to set out the criteria and process in the nomination and appointment of Directors, to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company, and to ensure the Board's continuity and appropriate leadership at Board level.

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

COMPANY SECRETARY

Mr. Sin Ka Man, the company secretary of the Company (the "Company Secretary"), reports to the Chairman. The details of his biographical is set out in the section headed "Directors and Senior Management" of this annual report. Mr. Sin has been informed of the requirement of Rule 3.29 of the Listing Rules and he confirmed that he has taken no less than 15 hours relevant professional training during the financial year ended 31 December 2021.

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practice adopted by the Group.

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

During the year ended 31 December 2021, the Audit Committee held two meetings and the members reviewed the interim and annual results and the interim and annual reports; met with external auditor to ensure appropriate accounting principles and practices adopted by the Group; assisted the Board in meeting its responsibilities for maintaining an effective system of internal control; and reviewed the internal audit plan and the report from the internal audit to ensure the effectiveness of the internal audit function of the Group.

REMUNERATION COMMITTEE

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

Corporate Governance Report

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors' and members of the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration packages of individual executive Directors and members of the senior management including benefits in kind, pension rights and compensation payments; to make recommendations to the Board on the remuneration of non-executive Directors; to take into account the salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; to review and approve compensation payable to executive Directors and members of the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and to ensure that no Director or any of his associates is involved in deciding his own remuneration. The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence. The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, while the aggregate amount for all executive Directors shall not exceed 10% of the audited consolidated net profits of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee. The Remuneration Committee, with delegated responsibility from the Board, has held two meetings to review and approve the remuneration packages of the Directors and the members of the senior management of the Group for the year ended 31 December 2021.

NOMINATION COMMITTEE

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

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

The Group considered the diversity of Board can be achieved through the consideration of a number of aspects during the selection process of potential Directors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge (collectively, the "Aspects"). The appointment of all Directors will be based on meritocracy, and the suitability of candidates will be evaluated against objective criteria, having due regard for the benefits of Board diversity. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the Aspects. The ultimate decision will be made after assessing the merits and contributions that the candidates will potentially bring to the Board.

Corporate Governance Report

The Nomination Committee has held one meeting for the year ended 31 December 2021 to nominate the members of Board for retirement and re-election at the forthcoming annual general meeting and to review the structure, size and composition of the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of persons
HK\$2,000,001 – HK\$2,500,000	1
HK\$2,500,001 – HK\$3,000,000	1

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

AUDITORS' REMUNERATION

For the year ended 31 December 2021, the remuneration paid or payable to the Group's auditors, KPMG, in respect of the services provided are as follows:

	HK\$'000
Annual audit and interim review services	2,981
Other services	855
Total	3,836

Note: Other services include professional services such as review of the internal control system of the Group, and professional advisory of the Environmental, Social and Governance Report of the Group.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year, the Board has conducted reviews of the risk management and internal control systems of the Group and considered the internal control system of the Group has implemented effectively and adequately. During the year ended 31 December 2021, the Board oversaw and reviewed the effectiveness and adequacy of the Group's internal control system, covering all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the Group's adequacy of resources, qualifications and experience of staff in its accounting and financial reporting functions, and their training programmes and budget.

INTERNAL AUDIT

The Group has an Internal Audit ("IA") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the IA plan, review of the risk management and internal control systems is conducted annually and the results are reported to the Board via the Audit Committee afterwards.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

Corporate Governance Report

VOTING BY POLL

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

CONVENING OF EXTRAORDINARY GENERAL MEETING ON REQUISITION BY SHAREHOLDERS

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

DIVIDEND POLICY

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to declare and pay an interim dividend and/or to recommend a final dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

Corporate Governance Report

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

The Company Secretary
Huayu Expressway Group Limited
Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong
Email: kenneth.sin@huayu.com.hk
Tel No.: +852 2559 1210
Fax No.: +852 2559 1026

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

CONSTITUTIONAL DOCUMENTS

As at 31 December 2021, the Group confirmed that there has been no change to the memorandum of association of the Company and the Articles.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam (陳陽南), aged 66, is an executive Director and the Chairman of the Board. Mr. Chan is the founder of the Group and was appointed as an executive Director in April 2009. He is responsible for the overall management, development and planning of the Group. He is also responsible for assessing and analyzing investment opportunities involving other infrastructure projects when they arise. Mr. Chan graduated from Sun Yat-Sen University. He has more than 24 years of experience in the development, operation and management of highways.

Mr. Mai Qing Quan (麥慶泉), aged 72, is an executive Director and the Chief Executive Officer. He joined the Group in May 2009. Mr. Mai is responsible for the negotiation and communication with the relevant governmental bodies in the PRC. He is also responsible for overseeing the infrastructure projects of the Group. Mr. Mai graduated from Hunan Normal College. He has over 16 years of experience in investment, construction and operation of expressway projects in the PRC.

Mr. Fu Jie Pin (符捷頻), aged 54, joined the Company as an executive Director in May 2009. Mr. Fu is responsible for project investment analysis, commercial negotiation and coordination and investment capital operation. Mr. Fu graduated from Sun Yat-Sen University with a bachelor's degree in electronics and information system in 1989. He has over 23 years of experience in development, operation and management of highways in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Xiao Nian (孫小年), aged 57, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in automobiles and transport from 吉林工業大學 (Jilin University of Technology)*, currently part of the Jilin University. He then further obtained his doctor degree in transportation planning and management from Tongji University. He is a senior engineer of professor's level accredited by the 廣東省人事廳 (Guangdong Province Personnel Bureau)* in 2003 and a registered consultant engineer accredited by the Ministry of Personnel of the PRC. He is now the vice chief engineer and the head of technical consultation centre of the China Academy of Transportation Sciences.

Mr. Chu Kin Wang, Peleus (朱健宏) aged 57, joined the Company as an independent non-executive Director in May 2009. He obtained his master degree in business administration from the University of Hong Kong. Mr. Chu is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountant and an associate of Hong Kong Institute of Company Secretary and The Institute of Chartered Secretaries and Administrators. Mr. Chu is a director of Tianli Holdings Group Limited (formerly named as EYANG Holdings (Group) Co., Limited), Peking University Resources (Holdings) Company Limited and China First Capital Group Limited, all of which are companies listed on the Main Board of the Stock Exchange. He is also a director of Madison Holdings Group Limited and Hyfusin Group Holdings Limited, all of which are companies listed on the Growth Enterprise Market of the Stock Exchange.

Directors and Senior Management

Mr. Hu Lie Ge (胡列格) aged 68, joined the Company as an independent non-executive Director in May 2009. He graduated from 長沙交通學院 (Changsha Communications Institute)* in Mathematical Mechanics and completed a graduate course in Probability Theory and Mathematics Statistics at 長沙鐵道學院 (Changsha Railway University)*, currently part of Central South University. Mr. Hu was once the Head of the 交通運輸學院 (College of Transportation and Communications)* in Changsha University of Science and Technology and is now a member of 湖南省促進物流業發展專家委員會 (Hunan Province Committee for Facilitation of the Development of the Logistics Industry)*.

COMPANY SECRETARY

Mr. Sin Ka Man (冼家敏) aged 54, was appointed as the Company Secretary on 3 July 2009. Mr. Sin has over 29 years of professional experience in auditing, accounting and financial management for both private and listed corporations. He became an associate member of The Hong Kong Institute of Certified Public Accountants (the "HKICPA") (formerly known as Hong Kong Society of Accountants) in January 1996, a fellow member of the Association of Chartered Certified Accountants in July 1997 and a certified practising accountant of the CPA Australia in December 2000. Mr. Sin obtained his bachelor degree in Social Sciences from the University of Hong Kong in December 1989, master degree in Finance from the University of Strathclyde, the United Kingdom in November 1993 and a master degree in Accounting from Curtin University of Technology, Australia in June 1998.

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

Report of the Directors

The Board presents this annual report together with the audited consolidated financial statements for the year ended 31 December 2021.

BUSINESS REVIEW

GENERAL

For the review of the business of the Group, please refer to the section headed “Management Discussion and Analysis” on pages 5 to 11 of this report. This discussion forms part of this Report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Further, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Changes to the provincial government’s transportation-related policies

The Group’s operations are sensitive to changes in the PRC Government’s policies relating to all aspects of the transportation sector, for example, changes to transportation networks, traffic regulation, licensing and toll regime, etc. Such changes may have an adverse effect on the revenue or results of operations of the Group. The Directors will monitor the applicable and relevant government policies closely and will take immediate and appropriate actions in response to any changes in the policies with a view to minimize its impact on the infrastructure projects and to the Group.

Revenue is heavily dependent on traffic volume and may be affected by competing roads and bridges and other modes of transportation

Revenue to be generated from collection of toll is heavily dependent on traffic volume. Traffic volume is directly and indirectly affected by a number of factors, including the road’s connectivity with other parts of the local and national highway network. There can be no assurance that future changes in the highway system and network will not adversely affect the traffic volume on the expressways. There is also no assurance that other road or mode of transportation will not be constructed or introduced in future which may prove to be better alternatives to the Group’s existing expressway projects. In such case, the Group’s business and operating results may be materially and adversely affected.

Notwithstanding the above, the Directors believe that the rising trend of the economic growth in PRC will be sustained in the foreseeable future. With this growth, the Directors expect the revenue for toll road project will continue to increase in the coming years.

Report of the Directors

Significant borrowings and financial performance could be affected by general economic conditions and factors

The Group has significant debt obligations under bank loans borrowed to finance project costs. As at 31 December 2021, the Group had total bank borrowing of approximately HK\$1,208.3 million and our ratio of total outstanding bank loans to total equity was 1.37.

All existing borrowings are outstanding on variable interest rate terms under which interest rates will be adjusted according to market movements in interest rates. It has not been the Group's policy to hedge against movements in interest rates. Any significant increase in interest rates may have a significant adverse effect on our Group's earnings. The Group's interest rate risk mainly relates to the cash at bank and the long term bank loan. A change in interest rates at the balance sheet date may have effect on the amount of the interest costs and income.

Risks pertaining to the relationship with the major supplier

Most of the Group's liquor and spirits trading business relies on the sole distributorship of Huamaojiu granted by the major supplier, Kweichow Moutai Group. The sole distributorship agreement has been reviewed annually. The failure in negotiation of the agreement may cause a substantial effect to the Group's liquor and spirits trading business. The Directors will monitor the relationship with Kweichow Moutai Group closely to ensure the successful negotiation in the sole distributorship agreement.

Risks pertaining to the distributorship model

The Group's liquor and spirits trading business relies primarily on a number of third-party distributors for sales of the Group's products. Each distributor has exclusive distribution rights over a certain geographical area, the failure by such distributor to perform its obligations under its distributorship agreement with the Group may result in a material adverse effect on the business of the authorized retailers in such area. The Directors will regularly review the performance of each distributor and take appropriate actions to minimize the effect of the failure of performance by the distributors.

Risks pertaining to force majeure events, natural disasters or outbreaks of contagious diseases

The Group's business may be adversely affected by natural disasters or outbreaks of epidemics, which may affect the procurement of raw materials and manufacture, sales and exportation of the Group's products. Epidemics, pandemics or outbreaks or escalation of diseases, including, among others, Severe Acute Respiratory Syndromes (SARS), avian influenza, swine flu (H1N1), novel coronavirus in 2020 (COVID-19) and other diseases may affect the livelihood of people in the PRC. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the PRC may severely disrupt the Group's business operations by restricting travel and sales activities and delaying delivery of the Group's products and services, affect the productivity of the workforce, or reduce the demand for the Group's products, which may materially and adversely affect business, financial condition and results of operations of the Group.

Report of the Directors

Past performance and forward looking statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee for future performance of the same. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

FINANCIAL RESOURCES

As at 31 December 2021, the total outstanding secured bank loans was HK\$1,208.3 million. Details of the maturity profile please refer to the section headed “Management Discussion and Analysis – Liquidity and financial resources” on pages 7 to 8 of this report.

POST YEAR END EVENTS

Since 31 December 2021, being the end of the financial year under review, no important event has occurred which materially affects the Group.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

For details of the key financial performance indicators to the performance the Group’s business, please refer to “Management Discussion and Analysis” on pages 5 to 11 of this report. This discussion forms part of this Report of the Directors.

ENVIRONMENT PROTECTION AND LEGAL COMPLIANCE

The Company is committed to protecting the environment where it operates and ensuring that it complies with the environmental protection standards applicable to the Group and its business operation from time to time.

During the year ended 31 December 2021 and to the best of our Directors’ knowledge, the Group had obtained the required permits and environmental approvals for its business, and had complied with such laws, rules and regulations that have a significant impact on the Group, its business and operations.

Please refer to the Environmental, Social and Governance Report issued separately for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to keep abreast with the requirement of the relevant laws and regulations of various countries, particularly the PRC and Hong Kong, applicable to it to ensure compliance. Majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from business operations in the PRC. During the year under review, the Group complied in all material respects with the relevant laws and regulations in various countries applicable to it.

ACCOUNT OF THE GROUP'S KEY RELATIONSHIPS

Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business. During the year under review, the Group considered that it has maintained a good relationship with its employees and the employee turnover rate was acceptable.

Building contractors

The Group's building contractors mainly include the contractors for the building and construction of the Sui-Yue Expressway. All these contractors have a close and long term relationship with the Group. During the year under review, the Group considered that it has maintained a good and stable relationship with its building contractors.

Suppliers

The Group's suppliers include the major supplier for Huamaojiu, Kweichow Moutai Group and contract manufacturers for other liquors and spirits products. All these suppliers have a close and long term relationship with the Group's management. During the year under review, the Group considered the relationship with its suppliers was well and stable.

Distributors

The Group adopted the distributorship model for its products in the PRC. Under this model, the Group primarily sells products to distributors in the PRC under distributorship agreements, which being reviewed yearly. Each of the distributors has exclusive distribution right over a certain geographical area in the PRC. The Group maintains very good relationship with all the distributors.

Report of the Directors

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is incorporated and domiciled in Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong at Unit 1205, 12/F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong.

PRINCIPAL ACTIVITIES

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

MAJOR CUSTOMERS AND SUPPLIERS

EXPRESSWAYS

For the year ended 31 December 2021, the Group has no major customer information to disclose as the Expressways are open to public. No further disclosure with regard to the Group's suppliers is made since there is normally no major purchase in its ordinary course of business.

LIQUOR AND SPIRITS TRADING BUSINESS

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group's liquor and spirits trading business respectively for the year ended 31 December 2021 is as follows:

	Percentage of the segment's total	
	Sales	Purchases
The largest customer	39%	
Five largest customers in aggregate	69%	
The largest supplier		64%
Five largest suppliers in aggregate		99%

At no time during the year have the Directors, their close associates or any shareholder of the Company (which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

Report of the Directors

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 46 to 130.

RESERVES

Details of movements in the reserve of the Company during the year ended 31 December 2021 are set out in note 22 to the consolidated financial statements.

Profit attributable to Shareholders, in the amount of HK\$104,237,000 (2020: HK\$73,911,000) has been transferred to the reserves. Other movements in reserve are set out in consolidated statement of changes in equity.

Special interim dividend of HK\$24,756,000 was declared and paid for the year ended 31 December 2021 (2020: Nil).

CHARITABLE DONATIONS

No charitable donations were made by the Group during the year ended 31 December 2021 (2020: Nil).

FIXED ASSETS

Details of the movements in fixed assets during the year ended 31 December 2021 are set out in note 10 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2021 are set out in note 22 to the consolidated financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries from the listing date to 31 December 2021.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Chan Yeung Nam
Mr. Mai Qing Quan
Mr. Fu Jie Pin

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

By virtue of articles 84 and 85 of the Articles, Mr. Chan Yeung Nam and Mr. Sun Xiao Nian will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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

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

Report of the Directors

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

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Name of director	Nature of interest	Number of shares (ordinary shares)	Number of share options	Total	Percentage
Mr. Chan Yeung Nam (Note 1)	Interest in controlled corporation	300,000,000 (L)	–	300,000,000	72.71%
Fu Jie Pin (Note 2)	Beneficial owner	–	4,000,000 (L)	4,000,000	0.97%
Mai Qing Quan (Note 2)	Beneficial owner	–	3,000,000 (L)	3,000 000	0.73%

Note 1: 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 12 January 2018, Velocity International Limited had pledged 300,000,000 shares of the Company to TCG Capital Investment Limited (which is wholly owned by Mr. Chan Weng Lin) as security for a term loan facility provided to Velocity International Limited.

Note 2: Details of the share options granted to the Directors by the Company are set out in the section headed "Share Option Scheme" of this report.

Apart from the forgoing, as at 31 December 2021, 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).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The 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 11 June 2020, being the date on which the resolution passed in the general meeting, i.e. 41,260,800 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.

The total number of shares available for issue under the Share Option Scheme is 41,260,800, representing approximately 10% of the Company's issued share capital as at the date of this annual report.

Report of the Directors

On 28 December 2021, the Company has granted share options (the “Share Options”) to certain eligible participants (the “Grantees”) to subscribe for 40,000,000 ordinary shares (the “Shares”) of HK\$0.01 each of the Company, which represents approximately 9.69% of the Company’s issued Share Capital at the date of grant. The exercise price of the Share Options granted was HK\$2.89 per share. The closing price per share as at 24 December 2021, being the date immediately before the date the Share Options were granted was HK\$2.88. The validity period of the Share Options would be one year from 28 December 2021 to 27 December 2022 (both days inclusive). All the Share Options are vested and exercisable from the date of grant.

Details of movement of the Share Options granted under the Share Option Scheme to the Directors and employees during the year ended 31 December 2021 were as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period	Number of Share Options				Outstanding as at 31 December 2021
				Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	
Directors								
Mr. Fu Jie Pin	28 December 2021	2.89	28 December 2021 to 27 December 2022	-	4,000,000	-	-	4,000,000
Mr. Mai Qing Quan	28 December 2021	2.89	28 December 2021 to 27 December 2022	-	3,000,000	-	-	3,000,000
Chairman of liquor and spirits trading business group of the Company								
Mr. Ran Chang Xian	28 December 2021	2.89	28 December 2021 to 27 December 2022	-	4,000,000	-	-	4,000,000
Employees								
In aggregate	28 December 2021	2.89	28 December 2021 to 27 December 2022	-	29,000,000	-	-	29,000,000
Total				-	40,000,000	-	-	40,000,000

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

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

As at 31 December 2021, so far as it is known to any Director or chief executive of the Company, the persons (other than the Director 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)	Beneficial owner	300,000,000 (L)	72.71%
TCG Capital Investment Limited (Note)	Person having security interest in shares	300,000,000 (L)	72.71%
Chan Weng Lin (Note)	Interest of Controlled Corporation	300,000,000 (L)	72.71%

Note: The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive Director and chairman of the Board. On 12 January 2018, Velocity International Limited had pledged 300,000,000 shares of the Company to TCG Capital Investment Limited (which is wholly-owned by Mr. Chan Weng Lin) as security for a term loan facility provided to Velocity International Limited.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's entire issued share capital as required under the Listing Rules for the year ended 31 December 2021.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which the Director or an entity connected with such Director had a material interest, directly or indirectly, subsisted at the end of or at any time during the year ended 31 December 2021.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 19 to the financial statements.

FINANCIAL SUMMARY

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

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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

The Group's total contributions to retirement schemes charged to the income statement during the year ended 31 December 2021 amounted to HK\$4,326,000 (2020 (restated): HK\$2,888,000).

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Report of the Directors

CORPORATE GOVERNANCE CODE

The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2021, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company and the external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2021.

AUDITORS

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

By order of the board

Chan Yeung Nam

Chairman

Hong Kong, 25 March 2022

Independent Auditor's Report



Independent auditor's report to the shareholders of Huayu Expressway Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huayu Expressway Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 46 to 130, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing potential impairment of the intangible asset relating to service concession arrangement – the Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”)

Refer to note 11 to the consolidated financial statements and the accounting policies on pages 72 to 73.

The Key Audit Matter

The Group has intangible asset of \$1,308 million relating to service concession arrangement of the rights to operate the Sui-Yue Expressway and receive toll fees therefrom as at 31 December 2021. The Group's operations are sensitive to changes in government policies relating to all aspects of the transportation sector, including but not limited to policies relating to provincial and municipal transportation networks and traffic regulations.

At the end of each reporting period, management performs impairment testing of the intangible asset relating to the Sui-Yue Expressway when indicators of impairment are identified. In performing impairment assessments, management compared carrying value of the cash generating units (“CGU”) with respective recoverable amount, which is estimated by preparing a discounted cash flow forecast, to determine the amount of impairment loss, if any.

How the matter was addressed in our audit

Our audit procedures to assess the potential impairment of the intangible asset relating to service concession arrangement of the Sui-Yue Expressway included the following:

- assessing the management's evaluation of indicators of impairment, identification of CGU and the methodology adopted by management in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group and the requirements of prevailing accounting standards;
- evaluating the forecast cash flows for the CGU which included comparing details in the forecast with the latest management plans and budgets approved by the directors;
- comparing the cash flows for the year ended 31 December 2021 previously forecasted by management in 2020 with the actual results for the current year;
- critically assessing the key assumptions adopted in the discounted cash flow forecast (including the toll revenue growth rate over the concession period, future contingent income from service areas within the Sui-Yue Expressway and the discount rate) as follows:

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Assessing potential impairment of the intangible asset relating to service concession arrangement – the Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”)

Refer to note 11 to the consolidated financial statements and the accounting policies on pages 72 to 73.

The Key Audit Matter

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement and estimation, particularly in relation to the forecast of revenue and the discount rate applied to estimate the net present value of the future operating cash flows.

We identified assessing potential impairment of the intangible asset relating to service concession arrangement of the Sui-Yue Expressway as a key audit matter because of the inherent uncertainty involved in forecasting future revenue from the Sui-Yue Expressway and determining the applicable discount rate, which could be subject to potential management bias.

How the matter was addressed in our audit

- assessing the toll revenue growth rate over the concession period with reference to external data and forecasts together with traffic flow and toll revenue forecast reports prepared by the Group's external traffic consultant;
 - evaluating future contingent income from service areas within the Sui-Yue Expressway based on market and other externally available information; and
 - engaging our internal valuation specialists to assist us in evaluating the discounted cash flows, as well as comparing the adopted discount rate with those of similar companies in the same industry.
- assessing the sensitivity of key assumptions, including the toll revenue growth rate and the discount rate, in the discounted cash flow forecast to changes and considering whether there was any evidence of potential management bias;
 - considering the disclosures in the consolidated financial statements in respect of management's impairment assessment of the intangible asset relating to service concession arrangement of the Sui-Yue Expressway and whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in the key assumptions reflected the risks inherent in the impairment assessment with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Revenue recognition: sales of liquor and spirits under distributor arrangement

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 78 to 79.

The Key Audit Matter

During the year ended 31 December 2021, the Group's revenue from its liquor and spirits trading business amounted to \$723 million, \$712 million of which was generated from sales under distributor arrangement. The Group enters into framework distribution agreements with its distributors every year. According to the terms of the framework distribution agreements, revenue is recognised when the goods are delivered to the distributors' premises, which is the point when the control of the goods is considered to have transferred to its distributors.

We identified the recognition of revenue from sales of liquor and spirits under the distributor arrangements as a key audit matter because revenue is one of the key performance indicators of the Group, and there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition: sales of liquor and spirits under distributor arrangement included the following:

- obtaining an understanding of the Group's accounting policy for the recognition of revenue from sales of liquor and spirits under distributor arrangement; and assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue of sales to distributor;
- inspecting, on a sample basis, the framework distribution agreements with distributors to understand key terms and conditions of sales including the terms of delivery, applicable rebate and/or discount arrangements and any sales return arrangements to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Revenue recognition: sales of liquor and spirits under distributor arrangement

Refer to note 3 to the consolidated financial statements and the accounting policies on pages 78 to 79.

The Key Audit Matter

How the matter was addressed in our audit

- testing revenue transactions, on a sample basis, by examining the relevant supporting documents, including sales orders from distributors, goods delivery notes and distributors' acknowledgement of receipt notes;
- obtaining external confirmations of the value of sales transactions for the year ended 31 December 2021 and outstanding trade receivable or receipt in advance balances as at that date directly from distributors, on a sample basis;
- for sales transactions around the financial year end, comparing, on a sample basis, details in the sales invoices to the relevant goods delivery notes, which were signed by the distributors, to assess if the related revenue had been recognised in the appropriate financial period on the basis of the terms of sales as set out in the distribution agreements;
- identifying significant sales returns from the sales ledger after the year end and inspecting the underlying documentation in relation to these sales returns to assess if the related adjustments to revenue had been accounted for in the appropriate accounting period; and
- inspecting a sample of manual adjustments to revenue raised during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

25 March 2022

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000 (restated)
Revenue	3	1,047,888	580,126
Cost of sales		(647,927)	(376,015)
Gross profit		399,961	204,111
Other revenue	4	6,164	4,302
Other net income	4	5,752	15,651
Administrative expenses		(105,355)	(49,810)
Selling and distribution costs		(31,113)	(10,694)
Profit from operations		275,409	163,560
Finance costs	5(a)	(59,459)	(55,501)
Share of profit of associates		17,090	3,434
Profit before taxation	5	233,040	111,493
Income tax	6(a)	(71,082)	(24,610)
Profit for the year		161,958	86,883
Attributable to:			
Equity shareholders of the Company		104,237	73,911
Non-controlling interests		57,721	12,972
Profit for the year		161,958	86,883
Earnings per share (cents)	9		
Basic		25.26	17.91
Diluted		25.26	17.91

The notes on pages 52 to 130 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	2021 \$'000	2020 \$'000 (restated)
Profit for the year	161,958	86,883
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	23,634	39,735
Total comprehensive income for the year	185,592	126,618
Attributable to:		
Equity shareholders of the Company	123,678	100,584
Non-controlling interests	61,914	26,034
Total comprehensive income for the year	185,592	126,618

The notes on pages 52 to 130 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000 (restated)
Non-current assets			
Property, plant and equipment	10	36,264	19,323
Intangible asset – service concession arrangement	11	1,470,824	1,497,518
Interests in associates	13	41,665	22,129
Deferred tax assets	21(b)	139,452	145,390
		1,688,205	1,684,360
Current assets			
Inventories	14	100,004	94,495
Other current assets		1,641	459
Trade and other receivables	15	174,875	36,562
Amounts due from related parties	25(c)	36,397	57,913
Cash and cash equivalents	16(a)	332,574	246,545
		645,491	435,974
Current liabilities			
Accruals and other payables	17	95,902	86,799
Amounts due to related parties	25(c)	4,278	9,988
Contract liabilities	18	30,953	6,591
Bank loans and other borrowing	19	134,541	154,466
Lease liabilities	20	1,796	1,285
Current taxation	21(a)	10,331	5,177
		277,801	264,306
Net current assets		367,690	171,668
Total assets less current liabilities		2,055,895	1,856,028

The notes on pages 52 to 130 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000 (restated)
Non-current liabilities			
Bank loans and other borrowing	19	1,073,788	935,315
Amount due to the controlling shareholder of the Company	25(c)	101,976	101,976
Lease liabilities	20	1,851	947
		1,177,615	1,038,238
NET ASSETS			
		878,280	817,790
CAPITAL AND RESERVES			
	22		
Share capital		4,126	4,126
Reserves		572,672	608,315
Total equity attributable to equity shareholders of the Company		576,798	612,441
Non-controlling interests		301,482	205,349
TOTAL EQUITY		878,280	817,790

Approved and authorised for issue by the board of directors on 25 March 2022.

Chan Yeung Nam
Chairman

Fu Jie Pin
Executive Director

The notes on pages 52 to 130 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total			
	Note 22(a)	Note 22(d)(i)	Note 22(d)(ii)	Note 22(d)(iii)	Note 22(d)(iv)	Note 22(d)(v)					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 31 December 2019 (as previously reported)	4,126	80,118	4,215	825,196	1,945	27,928	(534,726)	408,802	108,905	517,707	
Merger accounting restatement (note 1)	-	-	5,870	95,472	-	4,735	101	106,178	70,785	176,963	
Balance at 1 January 2020 (restated)	4,126	80,118	10,085	920,668	1,945	32,663	(534,625)	514,980	179,690	694,670	
Changes in equity for 2020:											
Profit for the year	-	-	-	-	-	-	73,911	73,911	12,972	86,883	
Other comprehensive income	-	-	-	-	-	26,673	-	26,673	13,062	39,735	
Total comprehensive income	-	-	-	-	-	26,673	73,911	100,584	26,034	126,618	
Equity settled share-based transactions	-	-	-	-	1,462	-	-	1,462	190	1,652	
Appropriation to statutory reserve	-	-	6,232	-	-	-	(6,232)	-	-	-	
Capital injection from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	515	515	
Acquisition of additional interest in a subsidiary	-	-	-	(4,585)	-	-	-	(4,585)	(1,080)	(5,665)	
Balance at 31 December 2020 (restated)	4,126	80,118	16,317	916,083	3,407	59,336	(466,946)	612,441	205,349	817,790	

	Attributable to equity shareholders of the Company									Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total			
	Note 22(a)	Note 22(d)(i)	Note 22(d)(ii)	Note 22(d)(iii)	Note 22(d)(iv)	Note 22(d)(v)					
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2021 (restated)	4,126	80,118	16,317	916,083	3,407	59,336	(466,946)	612,441	205,349	817,790	
Changes in equity for 2021:											
Profit for the year	-	-	-	-	-	-	104,237	104,237	57,721	161,958	
Other comprehensive income	-	-	-	-	-	19,441	-	19,441	4,193	23,634	
Total comprehensive income	-	-	-	-	-	19,441	104,237	123,678	61,914	185,592	
Dividends declared to the former shareholders of a subsidiary under common control before acquisition (note 1(b))	-	-	-	-	-	-	(11,272)	(11,272)	(7,515)	(18,787)	
Acquisition of a subsidiary under common control (note 1(b))	-	-	-	(152,869)	-	-	-	(152,869)	-	(152,869)	
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	9,517	9,517	
Disposal of partial interests in a subsidiary	-	-	-	(6,909)	-	-	-	(6,909)	26,189	19,280	
Appropriation to statutory reserve	-	-	10,624	-	-	-	(10,624)	-	-	-	
Equity settled share-based transactions	-	-	-	-	36,485	-	36,485	6,028	42,513	-	
Dividends declared in respect of the current year	-	(24,756)	-	-	-	-	-	(24,756)	-	(24,756)	
Balance at 31 December 2021	4,126	55,362	26,941	756,305	39,892	78,777	(384,605)	576,798	301,482	878,280	

The notes on pages 52 to 130 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 \$'000	2020 \$'000 (restated)
Operating activities			
Cash generated from operations	16(b)	307,611	160,846
PRC Corporate Income Tax paid		(56,393)	(20,637)
PRC Withholding tax paid		(3,028)	–
Net cash generated from operating activities		248,190	140,209
Investing activities			
Payment for the purchase of fixed assets		(13,848)	(4,007)
Payment for intangible assets		(6,894)	(12,282)
Payment for property deposit		(16,883)	–
Proceeds from disposal of intangible assets		–	5,623
Repayment from a related party		18,203	–
Payment for investment in associates		(5,872)	(17,589)
Interest received		4,295	2,694
Payment for acquisition of a subsidiary under common control		(152,869)	–
Net cash used in investing activities		(173,868)	(25,561)
Financing activities			
Capital element of lease rentals paid	16(c)	(1,854)	(1,362)
Interest element of lease rentals paid	16(c)	(138)	(136)
Proceeds from new bank loan	16(c)	1,263,862	–
Repayment of bank loans and other borrowing	16(c)	(1,197,184)	(86,224)
Capital injection from non-controlling investors		9,517	515
Borrowing costs paid	16(c)	(64,410)	(55,351)
Acquisition of additional interests in a subsidiary		–	(787)
Net proceeds from disposal of partial interests in subsidiaries		10,853	–
Dividends paid to equity shareholders of the Company		(24,756)	–
Net cash used in financing activities		(4,110)	(143,345)
Net increase/(decrease) in cash and cash equivalents		70,212	(28,697)
Cash and cash equivalents at 1 January		246,545	262,523
Effect of foreign exchange rate changes		15,817	12,719
Cash and cash equivalents at 31 December		332,574	246,545

The notes on pages 52 to 130 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(B) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control

On 7 April 2021, Good Sign Limited (a wholly-owned subsidiary of the Company, the “Purchaser”) entered into an Equity Transfer Agreement with Shenzhen Huayu Investment & Development Group Co., Ltd. (the “Vendor”), a company wholly-owned by Mr. Chan Yeung Nam (“Mr. Chan”). Mr. Chan is the ultimate controlling shareholder of the Company and Shenzhen Huayu Expressway Investment Co., Ltd. (the “Target Company”). Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the 60% equity interests in the Target Company (representing the entire equity interests held by the Vendor in the Target Company) at a consideration of RMB127.2 million (approximately HK\$152.9 million) (the “Acquisition”).

The consideration of the Acquisition is 60% of the completion net asset value, being defined as the sum of (i) net asset value of the Target Company at the date of completion and (ii) the fair value gain of land and buildings of the Target Company, being the difference between the book value and the fair value of the land and buildings at the date of completion.

On 25 April 2021, the Board of the Target Company has declared the payment of dividends to the Vendor and the non-controlling shareholder by the way of offsetting with amount due from related parties of HK\$11,272,000 and HK\$7,515,000 respectively.

The principal activities of the Target Company are construction, operation and management of the First Phase of Qing-Ping Expressway (S209). Details of the Acquisition are set out in the Company’s circular dated 30 April 2021. The Acquisition were completed on 29 June 2021 (“Completion Date”). The consideration of HK\$152.9 million was satisfied by the Company through payment in cash.

The Acquisition was considered as a business combination under common control as the Group and the Target Company are both ultimately controlled by Mr. Chan. The acquisition of the Target Company was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA. The Group and the Target Company are regarded as continuing entities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

Under merger accounting, based on the guidance set out in AG 5, the financial information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to other reserve in the consolidated financial statements.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the results of the Target Company as if these acquisitions had been completed since the date the respective business first came under the common control of the Company. The consolidated statement of financial position as at 1 January 2020 and 31 December 2020 have been restated to adjust the carrying amounts of the assets and liabilities of the Target Company which had been in existence as at 1 January 2020 and 31 December 2020 as if those entities or businesses were combined from the date when they first came under the common control of the Company (see below for the financial impacts).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(i) Effect on the consolidated statement of profit or loss for the year ended 31 December 2020:

	For the year ended 31 December 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	For the year ended 31 December 2020 as restated \$'000
Revenue	505,962	74,164	580,126
Cost of sales	(319,161)	(56,854)	(376,015)
Gross profit	186,801	17,310	204,111
Other revenue	2,762	1,540	4,302
Other net income	15,230	421	15,651
Administrative expenses	(42,066)	(7,744)	(49,810)
Selling and distribution costs	(10,694)	–	(10,694)
Profit from operations	152,033	11,527	163,560
Finance costs	(51,705)	(3,796)	(55,501)
Share of profit of associates	3,434	–	3,434
Profit before taxation	103,762	7,731	111,493
Income tax	(22,900)	(1,710)	(24,610)
Profit for the year	80,862	6,021	86,883
Attributable to:			
Equity shareholders of the Company	70,299	3,612	73,911
Non-controlling interests	10,563	2,409	12,972
Profit for the year	80,862	6,021	86,883
Earnings per share (cents)			
Basic and diluted	17.04	0.87	17.91

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(ii) *Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020:*

	For the year ended 31 December 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	For the year ended 31 December 2020 as restated \$'000
Profit for the year	80,862	6,021	86,883
Other comprehensive income for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of:			
– financial statements of subsidiaries outside Hong Kong	27,997	11,738	39,735
Total comprehensive income for the year	108,859	17,759	126,618
Attributable to:			
Equity shareholders of the Company	89,928	10,656	100,584
Non-controlling interests	18,931	7,103	26,034
Total comprehensive income for the year	108,859	17,759	126,618

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(iii) Effect on the consolidated statement of financial position as at 1 January 2020:

	As at 1 January 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	As at 1 January 2020 as restated \$'000
Non-current assets			
Property, plant and equipment	19,042	618	19,660
Intangible asset – service concession arrangement	1,236,431	195,487	1,431,918
Interests in associates	2,423	–	2,423
Deferred tax assets	140,387	–	140,387
	1,398,283	196,105	1,594,388
Current assets			
Inventories	63,880	–	63,880
Trade and other receivables	55,924	3,956	59,880
Amounts due from related parties	10,382	49,886	60,268
Cash and cash equivalents	234,863	27,660	262,523
	365,049	81,502	446,551
Current liabilities			
Accruals and other payables	84,611	13,457	98,068
Amounts due to related parties	758	1,557	2,315
Contract liabilities	25,287	–	25,287
Bank loans and other borrowing	89,304	39,071	128,375
Lease liabilities	1,291	–	1,291
Current taxation	6,079	1,907	7,986
	207,330	55,992	263,322

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(iii) Effect on the consolidated statement of financial position as at 1 January 2020: (continued)

	As at 1 January 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	As at 1 January 2020 as restated \$'000
Net current assets	157,719	25,510	183,229
Total assets less current liabilities	1,556,002	221,615	1,777,617
Non-current liabilities			
Bank loans and other borrowing	934,532	44,652	979,184
Amount due to the controlling shareholder of the Company	101,976	–	101,976
Lease liabilities	1,787	–	1,787
	1,038,295	44,652	1,082,947
NET ASSETS	517,707	176,963	694,670
CAPITAL AND RESERVES			
Share capital	4,126	–	4,126
Reserves	404,676	106,178	510,854
Total equity attributable to equity shareholders of the Company	408,802	106,178	514,980
Non-controlling interests	108,905	70,785	179,690
TOTAL EQUITY	517,707	176,963	694,670

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(iv) Effect on the consolidated statement of financial position as at 31 December 2020:

	As at 31 December 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	As at 31 December 2020 as restated \$'000
Non-current assets			
Property, plant and equipment	18,517	806	19,323
Intangible asset – service concession arrangement	1,312,774	184,744	1,497,518
Interests in associates	22,129	–	22,129
Deferred tax assets	145,390	–	145,390
	1,498,810	185,550	1,684,360
Current assets			
Inventories	94,495	–	94,495
Other current assets	459	–	459
Trade and other receivables	34,983	1,579	36,562
Amounts due from related parties	4,814	53,099	57,913
Cash and cash equivalents	230,775	15,770	246,545
	365,526	70,448	435,974
Current liabilities			
Accruals and other payables	76,423	10,376	86,799
Amounts due to related parties	8,422	1,566	9,988
Contract liabilities	6,591	–	6,591
Bank loans and other borrowing	106,938	47,528	154,466
Lease liabilities	1,285	–	1,285
Current taxation	3,371	1,806	5,177
	203,030	61,276	264,306

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(iv) *Effect on the consolidated statement of financial position as at 31 December 2020:*
(continued)

	As at 31 December 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	As at 31 December 2020 as restated \$'000
Net current assets	162,496	9,172	171,668
Total assets less current liabilities	1,661,306	194,722	1,856,028
Non-current liabilities			
Bank loans and other borrowing	935,315	–	935,315
Amount due to the controlling shareholder of the Company	101,976	–	101,976
Lease liabilities	947	–	947
	1,038,238	–	1,038,238
NET ASSETS	623,068	194,722	817,790
CAPITAL AND RESERVES			
Share capital	4,126	–	4,126
Reserves	491,481	116,834	608,315
Total equity attributable to equity shareholders of the Company	495,607	116,834	612,441
Non-controlling interests	127,461	77,888	205,349
TOTAL EQUITY	623,068	194,722	817,790

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(v) The effect of the restatement on the Group's cash flow for the year ended 31 December 2020 is summarised as follows:

	For the year ended 31 December 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	For the year ended 31 December 2020 as restated \$'000
Operating activities			
Cash generated from operations	125,530	35,316	160,846
PRC Corporate Income Tax paid	(19,699)	(938)	(20,637)
Net cash generated from operating activities	105,831	34,378	140,209
Investing activities			
Payment for the purchase of fixed assets	(3,756)	(251)	(4,007)
Payment for intangible assets	(12,282)	–	(12,282)
Proceeds from disposal of intangible assets	5,623	–	5,623
Payment for investment in associates	(15,070)	(2,519)	(17,589)
Interest received	2,374	320	2,694
Net cash used in investing activities	(23,111)	(2,450)	(25,561)
Financing activities			
Capital element of lease rentals paid	(1,362)	–	(1,362)
Interest element of lease rentals paid	(136)	–	(136)
Repayment of bank loans and other borrowing	(44,984)	(41,240)	(86,224)
Capital injection from non-controlling investors	515	–	515
Borrowing costs paid	(51,555)	(3,796)	(55,351)
Acquisition of additional interests in a subsidiary	(787)	–	(787)
Net cash used in financing activities	(98,309)	(45,036)	(143,345)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Merger accounting for business combination involving a subsidiary under common control (continued)

(v) *The effect of the restatement on the Group's cash flow for the year ended 31 December 2020 is summarised as follows: (continued)*

	For the year ended 31 December 2020 as previously reported \$'000	Adjustments for the combination using merger accounting \$'000	For the year ended 31 December 2020 as restated \$'000
Net decrease in cash and cash equivalents	(15,589)	(13,108)	(28,697)
Cash and cash equivalents at 1 January	234,863	27,660	262,523
Effect of foreign exchange rate changes	11,501	1,218	12,719
Cash and cash equivalents at 31 December	230,775	15,770	246,545

(C) CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2
- Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(D) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)(ii)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(E) ASSOCIATES

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 1(i)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's statement of financial position, investments in associate is stated at cost less impairment losses (see note 1(i)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) PROPERTY, PLANT AND EQUIPMENT

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

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

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

- | | |
|---|--------------|
| – Toll station and ancillary equipment | 5 – 10 years |
| – Other machinery and equipment | 5 years |
| – Motor vehicles | 5 years |
| – Furniture and fixtures | 5 years |
| – Other properties leased for own use are depreciated over the shorter of the unexpired term of lease and their estimated useful lives. | |

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

(G) INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Both the period and method of amortisation are reviewed annually.

(H) LEASED ASSETS

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(H) LEASED ASSETS (continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(f) and 1(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(H) LEASED ASSETS (continued)

(i) As a lessee (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(s)(iii).

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (i.e. trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (continued)

(i) Credit losses from financial instruments (continued)

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of other assets

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

- property, plant and equipment, including right-of-use assets;
- intangible asset – service concession arrangement; and
- investments in subsidiaries and associates in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) CREDIT LOSSES AND IMPAIRMENT OF ASSETS (continued)

(ii) Impairment of other assets (continued)

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(J) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(K) CONTRACT LIABILITIES

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(l)).

(L) TRADE AND OTHER RECEIVABLES

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(i)(i)).

(M) CASH AND CASH EQUIVALENTS

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

(N) TRADE AND OTHER PAYABLES

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

(O) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(u)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(P) EMPLOYEE BENEFITS

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

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

(ii) Share-based payments

Restricted shares

The difference between the granted price and the fair value of the restricted shares granted to employees is recognised as an employee cost with a corresponding increase in share-based compensation reserve within equity. The fair value of the restricted shares is measured at date of grant by reference to the market price or the valuer's valuation of the underlying shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the restricted shares, the total difference between the granted price and the fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

Share options

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(P) EMPLOYEE BENEFITS (continued)

(iii) Termination benefits

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

(Q) INCOME TAX

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

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

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) INCOME TAX (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(R) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(S) REVENUE AND OTHER INCOME

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Toll revenue

The Group's toll revenue is measured based on the consideration the Group expects to be entitled from the contract with the customer and excludes those amounts collected on behalf of third parties. The Group recognises toll revenue when the vehicles go through the Expressway and pass the toll stations, which means it transfers control over services to customers. Due to the implementation of unified toll collection policy on the Expressway, the settlement period of the toll revenue from toll road operation is normally within a month.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(S) REVENUE AND OTHER INCOME (continued)

(ii) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(T) TRANSLATION OF FOREIGN CURRENCIES

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(T) TRANSLATION OF FOREIGN CURRENCIES (continued)

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

(U) BORROWING COSTS

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

(V) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, when appropriate.

(W) RELATED PARTIES

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(W) RELATED PARTIES (continued)

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(X) SEGMENT REPORTING

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

(A) AMORTISATION OF INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

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

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

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

(B) IMPAIRMENT

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(A) REVENUE

The principal activities of the Group are construction, operation and management of Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”) and the First Phase of Qing Ping Expressway (the “Qing Ping Expressway”, collectively the “Expressways”), and the trading of liquor and spirits in the PRC. Further details regarding the Group’s principal activities are disclosed in note 3(b).

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2021 \$'000	2020 \$'000 (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Toll income	324,870	214,650
– Sales of liquor and spirits	723,018	365,476
	1,047,888	580,126

Since the Group’s revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical regions is presented.

All the above revenue of the Group were recognised at a point in time.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

- Sui-Yue Expressway, construction, operation and management of the Sui-Yue Expressway;
- Qing Ping Expressway, construction, operation and management of the Qing Ping Expressway;
- Liquor and spirits, mainly distribution of Huamaojiu and Xijiushaofang.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include accruals, bills payable and lease liabilities attributable to the expressways operations and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 (restated) is set out below.

	For the year ended 31 December 2021			Total \$'000
	Sui-Yue Expressway \$'000	Qing Ping Expressway \$'000	Liquor and spirits \$'000	
Reportable segment revenue	217,685	107,185	723,018	1,047,888
Reportable segment profit (adjusted EBITDA)	176,282	55,028	154,800	386,110
Interest income from bank deposits	876	392	1,534	2,802
Interest expense	(56,232)	(2,190)	(1,014)	(59,436)
Depreciation and amortisation for the year	(45,219)	(29,414)	(2,244)	(76,877)
As at 31 December 2021				
Reportable segment assets	1,421,082	222,798	500,139	2,144,019
Reportable segment liabilities	1,225,306	22,602	108,657	1,356,565

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING (continued)

(i) Segment results, assets and liabilities (continued)

	For the year ended 31 December 2020 (restated)			Total \$'000
	Sui-Yue Expressway \$'000	Qing Ping Expressway \$'000	Liquor and spirits \$'000	
Reportable segment revenue	140,486	74,164	365,476	580,126
Reportable segment profit (adjusted EBITDA)	110,607	36,762	80,134	227,503
Interest income from bank deposits	214	285	764	1,263
Interest expense	(51,569)	(3,796)	(58)	(55,423)
Depreciation and amortisation for the year	(38,686)	(25,520)	(1,288)	(65,494)
As at 31 December 2020				
Reportable segment assets	1,415,358	255,998	238,351	1,909,707
Reportable segment liabilities	1,294,962	59,470	27,179	1,381,611

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(B) SEGMENT REPORTING (continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2021 \$'000	2020 \$'000 (restated)
Revenue		
Reportable segment revenue	1,047,888	580,126
Consolidated revenue (note 3(a))	1,047,888	580,126
Profit		
Reportable segment profit (adjusted EBITDA)	386,110	227,503
Reportable segment profit derived from Group's external customers and associates	386,110	227,503
Other revenue	1,493	1,396
Other net income	2,438	14,672
Depreciation and amortisation	(76,877)	(65,494)
Finance costs	(59,436)	(55,423)
Unallocated head office and corporate expenses	(20,688)	(11,161)
Consolidated profit before taxation	233,040	111,493
Assets		
Reportable segment assets	2,144,019	1,909,707
Elimination of inter-segment receivables	(19,399)	(18,845)
	2,124,620	1,890,862
Deferred tax assets	139,452	145,390
Unallocated head office and corporate assets	69,624	84,082
Consolidated total assets	2,333,696	2,120,334
Liabilities		
Reportable segment liabilities	1,356,565	1,381,611
Elimination of inter-segment payables	(19,948)	(190,887)
	1,336,617	1,190,724
Current taxation	10,331	5,177
Unallocated head office and corporate liabilities	108,468	106,643
Consolidated total liabilities	1,455,416	1,302,544

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OTHER REVENUE AND NET INCOME

	2021 \$'000	2020 \$'000 (restated)
Other revenue		
Billboard rental income	1,869	1,608
Interest income from bank deposits	4,295	2,694
	6,164	4,302
Other net income		
Net foreign exchange gain	2,489	14,802
Others	3,263	849
	5,752	15,651

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(A) FINANCE COSTS:

	2021 \$'000	2020 \$'000 (restated)
Interest on bank loans and other borrowing	59,321	55,365
Interest on lease liabilities	138	136
	59,459	55,501

There is no borrowing costs capitalised for the year ended 31 December 2021 (2020: nil).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

(B) STAFF COSTS:

	2021 \$'000	2020 \$'000 (restated)
Salaries, wages and other benefits	60,504	46,134
Contributions to defined contribution retirement plans	4,326	2,888
Share-based payment expenses	42,513	1,652
	107,343	50,674

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

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION (continued)

(C) OTHER ITEMS:

	2021 \$'000	2020 \$'000 (restated)
Auditors' remuneration		
– annual audit and interim review services	2,981	2,690
– other services	855	899
Depreciation charge		
– owned property, plant and equipment	5,741	4,468
– right-of-use assets	1,781	1,429
Amortisation	70,289	59,914

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 \$'000	2020 \$'000 (restated)
Current tax – PRC corporate income tax		
– Provision for the year	60,976	20,798
– Under/(over)-provision in respect of prior years	66	(10)
	61,042	20,788
Deferred tax		
– Origination and reversal of temporary differences	10,040	3,822
	71,082	24,610

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2021 and 2020.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are subject to PRC corporate income tax at a rate of 25% (2020: 25%) on its assessable profits. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible asset – service concession arrangement, deductible tax losses and other deductible temporary differences.
- (iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise directly.

(B) RECONCILIATION BETWEEN INCOME TAX AND ACCOUNTING PROFIT AT APPLICABLE TAX RATES:

	2021 \$'000	2020 \$'000 (restated)
Profit before taxation	233,040	111,493
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	62,917	26,357
Tax effect on unused tax losses not recognised	566	487
Tax effect on deductible temporary differences	1,391	–
Tax effect of non-deductible expenses	8,472	328
Tax effect of non-taxable income	(4,607)	(883)
Use of tax losses carried from previous years	(751)	(1,669)
Under/(over)-provision in prior years	66	(10)
PRC Withholding tax	3,028	–
Income tax	71,082	24,610

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

The details of directors' emoluments are disclosed as follows:

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Retirement scheme contributions \$'000	Discretionary bonuses \$'000	Share-based payments expenses \$'000	2021 Total \$'000
<i>Executive directors</i>						
Chan Yeung Nam	1,157	–	–	–	–	1,157
Mai Qing Quan	868	–	–	–	3,171	4,039
Fu Jie Pin	720	–	–	–	4,228	4,948
<i>Independent non-executive directors</i>						
Sun Xiao Nian	60	–	–	–	–	60
Chu Kin Wang, Peleus	145	–	–	–	–	145
Hu Lie Ge	60	–	–	–	–	60
Total	3,010	–	–	–	7,399	10,409

	Directors' fees \$'000	Salaries, allowances and benefits in kind \$'000	Retirement scheme contributions \$'000	Discretionary bonuses \$'000	2020 Total \$'000
<i>Executive directors</i>					
Chan Yeung Nam	1,089	–	–	–	1,089
Mai Qing Quan	817	–	–	–	817
Fu Jie Pin	720	–	–	–	720
<i>Independent non-executive directors</i>					
Sun Xiao Nian	57	–	–	–	57
Chu Kin Wang, Peleus	136	–	–	–	136
Hu Lie Ge	57	–	–	–	57
Total	2,876	–	–	–	2,876

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: three) are directors whose emoluments are disclosed in note 7 above.

The aggregate of the emoluments in respect of the remaining three (2020: two) individuals is as follows:

	2021 \$'000	2020 \$'000
Salaries and other emoluments	1,679	1,560
Discretionary bonuses	813	130
Retirement scheme contributions	97	162
Share-based payments expenses	10,781	–
	13,370	1,852

The emolument of the three (2020: two) individuals with the highest emolument is within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil – \$1,000,000	–	1
\$1,000,001 – \$1,500,000	–	1
\$3,000,001 – \$3,500,000	1	–
\$4,000,001 – \$4,500,000	1	–
\$5,500,001 – \$6,000,000	1	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

9 EARNINGS PER SHARE

(A) BASIC EARNINGS PER SHARE

	2021 '000	2020 '000
Issued ordinary shares at 1 January	412,608	412,608
Weighted average number of ordinary shares at 31 December	412,608	412,608

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of \$104,237,000 (2020 (restated): profit of \$73,911,000) and the weighted average number of 412,608,000 (2020: 412,608,000) shares in issue during the year.

(B) DILUTED EARNINGS PER SHARE

In 2020, there were no dilutive potential ordinary shares, therefore, diluted earnings per share is equivalent to basic earnings per share.

In 2021, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$104,237,000 and the weighted average number of ordinary shares of 412,664,000 shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2021 '000	2020 '000
Weighted average number of ordinary shares at 31 December	412,608	412,608
Effect of deemed issue of shares under the Company's share option scheme (note 22(d)(iv))	56	–
Weighted average number of ordinary shares (diluted) at 31 December	412,664	412,608

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

(A) RECONCILIATION OF CARRYING AMOUNT

	Toll station and ancillary equipment \$'000	Other machinery and equipment \$'000	Motor vehicles \$'000	Furniture and fixtures \$'000	Other properties leased for own use carried at cost \$'000	Total \$'000
Cost:						
At 1 January 2020 (restated)	37,696	1,546	3,778	844	4,353	48,217
Additions	5,159	–	–	1,468	440	7,067
Disposals	(2,532)	–	–	–	–	(2,532)
Exchange adjustments	2,577	101	243	135	100	3,156
At 31 December 2020 (restated)	42,900	1,647	4,021	2,447	4,893	55,908
At 1 January 2021 (restated)	42,900	1,647	4,021	2,447	4,893	55,908
Additions	15,706	–	–	4,744	3,221	23,671
Disposals	(111)	–	–	(4)	(136)	(251)
Exchange adjustments	1,479	49	346	119	72	2,065
At 31 December 2021	59,974	1,696	4,367	7,306	8,050	81,393
Accumulated depreciation:						
At 1 January 2020 (restated)	22,235	1,391	2,979	713	1,240	28,558
Charge for the year	4,142	–	204	122	1,429	5,897
Written back on disposals	(12)	–	–	–	–	(12)
Exchange adjustments	1,773	90	202	51	26	2,142
At 31 December 2020 (restated)	28,138	1,481	3,385	886	2,695	36,585
At 1 January 2021 (restated)	28,138	1,481	3,385	886	2,695	36,585
Charge for the year	4,822	–	127	792	1,781	7,522
Written back on disposals	(52)	–	–	(4)	(22)	(78)
Exchange adjustments	893	44	101	37	25	1,100
At 31 December 2021	33,801	1,525	3,613	1,711	4,479	45,129
Net book value:						
At 31 December 2021	26,173	171	754	5,595	3,571	36,264
At 31 December 2020 (restated)	14,762	166	636	1,561	2,198	19,323

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT (continued)

(B) RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	2021 \$'000	2020 \$'000
Other properties leased for own use, carried at depreciated cost	3,571	2,198

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 \$'000	2020 \$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Other properties leased for own use	1,781	1,429
Interest on lease liabilities (note 5(a))	138	136

During the year, additions to right-of-use assets were \$3,221,000 (2020: \$440,000). This amount represented the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 16(e) and 20, respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	2021 \$'000	2020 \$'000 (restated)
Cost:		
At 1 January	3,056,909	2,837,474
Additions	–	34,710
Exchange adjustments	89,786	184,725
At 31 December	3,146,695	3,056,909
Accumulated amortisation:		
At 1 January	907,750	793,349
Charge for the year	70,289	59,914
Exchange adjustments	27,052	54,487
At 31 December	1,005,091	907,750
Accumulated impairment loss:		
At 1 January	651,641	612,209
Exchange adjustments	19,139	39,432
At 31 December	670,780	651,641
Net book value:		
At 31 December	1,470,824	1,497,518

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

(continued)

The service concession arrangement represents the Group's rights to operate the Sui-Yue Expressway and the Qing-Ping Expressway and receive toll fees therefrom.

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

IMPAIRMENT LOSS OF THE INTANGIBLE ASSET RELATING TO SERVICE CONCESSION ARRANGEMENT OF THE SUI-YUE EXPRESSWAY

The impairment previously recognised were determined by the estimation of recoverable amount compared to its carrying value as at 31 December 2011, 31 December 2012 and 31 December 2015. Management reassessed the value of the CGU as at 31 December 2021, taking into account the changing of market factors and actual operating result of the Sui-Yue Expressway. No further impairment is recognised in 2021.

The recoverable amount of the CGU was determined by the value in use, based on the expected free cash flow up to the end of the service concession arrangement period, and a post-tax discount rate of 12.5% (equivalent to a pre-tax discount rate of 15.3%) (2020: a post-tax discount rate of 14.0% (equivalent to a pre-tax discount rate of 16.5%)).

The impairment loss was fully allocated to the intangible asset – service concession arrangement of the Sui-Yue Expressway.

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

	2021	2020
Period of operation	17 years	18 years
Average annual toll revenue growth rate over the concession period	2.5%	5.0%
Discount rate	12.5%	14.0%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

(continued)

DISCOUNT RATE

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

AVERAGE ANNUAL TOLL REVENUE GROWTH RATE OVER THE CONCESSION PERIOD

The toll revenue growth rates were projected by the directors based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

As the intangible asset relating to service concession arrangement of the Sui-Yue Expressway has been reduced to its recoverable amount, any adverse movement in a key assumption would lead to a further impairment. A sensitivity analysis on the discount rate and toll revenue has been performed by the Directors as follows.

At 31 December 2021, it is estimated that an increase/decrease of 0.5% in discount rate, with all other variables held constant, would have decreased/increased the value in use of the intangible asset by approximately HK\$22,767,000/HK\$24,115,000.

At 31 December 2021, it is estimated that an increase/decrease of 5% in annual toll revenue growth rate, with all other variables held constant, would have increased/decreased the value in use of the intangible asset by approximately HK\$26,609,000/HK\$26,248,000.

12 INTERESTS IN SUBSIDIARIES

	2021 \$'000	2020 \$'000
Unlisted shares, at cost	513,388	513,388
Deemed investments arising from share-based payment expenses (note (i))	29,715	–
Less: impairment loss (note (ii))	(355,257)	(355,257)
	187,846	158,131

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INTERESTS IN SUBSIDIARIES (continued)

- (i) The amount represents share-based payment expenses arising from the grant of share options of the Company to employees of the subsidiaries (note 22(d)(iv)) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.
- (ii) The impairment loss was caused by the impairment provision of intangible asset of one of the Company's subsidiaries, Hunan Daoyue Expressway Industry Co., Ltd..

Details of the subsidiaries at 31 December 2021 are as follows. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid/registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Top Talent Holdings Limited ("Top Talent")	BVI 18 March 2003	US\$1/US\$50,000	100%	–	Investment holding
Good Sign Limited ("Good Sign")	Hong Kong 19 December 2008	HK\$1/HK\$10,000	–	100%	Investment holding
Bright Regent Limited ("Bright Regent")	Hong Kong 10 October 2003	HK\$1/HK\$1	–	100%	Provision of Administration services to the Group
Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue") *	The PRC 22 December 2006	RMB600,950,000/ RMB600,950,000	–	60%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Expressway Investment Co., Ltd. ("Qingping") *	The PRC 22 December 2002	RMB150,000,000/ RMB150,000,000	–	60%	Construction, operation and management of an expressway in the PRC
Shenzhen Huayu Wine Development Co., Ltd. ("Wine Development") *	The PRC 25 January 2013	HK\$93,892,000/ HK\$100,000,000	–	100%	Distribution of liquor and spirits
Huayu Healthy Wine (Shenzhen) Co., Ltd. ("Healthy Wine") *	The PRC 24 August 2018	RMB50,000,000/ RMB50,000,000	–	77%	Distribution of liquor and spirits
Guizhou Yuanque Wine Co., Ltd. ("Yuanque") *	The PRC 19 October 2018	RMB5,100,000/ RMB30,000,000	–	100%	Distribution of liquor and spirits
Guangxi Bama Huayu Yechang Liquor Co., Ltd.*	The PRC 19 May 2021	RMB10,000,000/ RMB10,000,000	–	70%	Distribution of liquor and spirits
Guizhou Huayu Pengzhi Liquor Co., Ltd.*	The PRC 18 December 2020	RMB10,000,000/ RMB10,000,000	–	51%	Distribution of liquor and spirits

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INTERESTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to subsidiaries of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2021		
	Daoyue \$'000	Qingping \$'000	Healthy Wine \$'000
NCI percentage	40%	40%	23%
Current assets	88,615	57,455	304,064
Non-current assets	1,470,308	165,343	53,283
Current liabilities	(152,231)	(23,017)	(77,538)
Non-current liabilities	(1,073,788)	–	(946)
Net assets	332,904	199,781	278,863
Carrying amount of NCI	133,162	79,912	64,138
Revenue	217,685	107,185	565,743
Profit for the year	56,431	18,136	88,364
Total comprehensive income	65,042	23,847	94,490
Profit allocated to NCI	22,572	7,254	14,011
Cash flows from operating activities	166,832	53,948	32,262
Cash flows from investing activities	(13,016)	(540)	(32,514)
Cash flows from financing activities	(158,818)	(50,426)	34,615
		2020 (restated)	
	Daoyue \$'000	Qingping \$'000	Healthy Wine \$'000
NCI percentage	40%	40%	13%
Current assets	88,607	70,448	165,603
Non-current assets	1,472,116	185,550	24,873
Current liabilities	(170,489)	(61,276)	(24,634)
Non-current liabilities	(1,124,473)	–	(947)
Net assets	265,761	194,722	164,895
Carrying amount of NCI	106,304	77,889	21,436
Revenue	140,486	74,164	345,076
Profit for the year	9,480	6,021	58,743
Total comprehensive income	25,492	11,718	68,277
Profit allocated to NCI	3,792	2,408	7,637
Cash flows from operating activities	108,193	34,378	9,969
Cash flows from investing activities	(7,491)	(2,450)	(17,953)
Cash flows from financing activities	(97,916)	(43,157)	(344)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INTERESTS IN ASSOCIATES

The following list contains the particulars of the associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Proportion of ownership interest		Principal activity
					Held by the company	Held by a subsidiary	
湖南華昱瀟湘酒業有限公司 Hunan Huayu Xiaoxiang Liquor Co., Ltd.*	Incorporated	The PRC	RMB10,000,000	23%	–	23%	Sales of liquor and spirits
河南華昱鼎立酒業有限公司 Henan Huayu Dingli Liquor Co., Ltd.*	Incorporated	The PRC	RMB10,000,000	30%	–	30%	Sales of liquor and spirits
貴州華昱深黔酒業有限公司 Guizhou Huayu Shenqian Liquor Co., Ltd.*	Incorporated	The PRC	RMB8,500,000	35%	–	35%	Sales of liquor and spirits
陝西華昱恒韻酒業有限公司 Shanxi Huayu Hengyun Liquor Co., Ltd.*	Incorporated	The PRC	RMB8,800,000	23%	–	23%	Sales of liquor and spirits
北京華昱盛京酒業有限公司 Beijing Huayu Shengjing Liquor Co., Ltd.*	Incorporated	The PRC	RMB10,000,000	28%	–	28%	Sales of liquor and spirits
廣東華昱粵海酒業有限公司 Guangdong Huayu Yuehai Liquor Co., Ltd.*	Incorporated	The PRC	RMB10,000,000	19%	–	19%	Sales of liquor and spirits
山東華昱德泰酒業有限公司 Shandong Huayu Detai Liquor Co., Ltd.	Incorporated	The PRC	RMB10,000,000	31%	–	31%	Sales of liquor and spirits

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

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	2021 \$'000	2020 \$'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	41,665	22,129
Aggregate amounts of the Group's share of those associates'		
Profit for the year	17,090	3,434
Other comprehensive income	–	–
Total comprehensive income	17,090	3,434

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVENTORIES

	2021 \$'000	2020 \$'000
Finished goods	100,004	94,495

15 TRADE AND OTHER RECEIVABLES

	2021 \$'000	2020 \$'000 (restated)
Trade receivables (note (i))	7,424	8,256
Prepayments (note (ii))	139,891	24,243
Other receivables	27,560	4,063
	174,875	36,562

- (i) Trade receivables represent toll revenue receivables from toll road operation. At 31 December 2021, all of trade receivables are aged within one month and the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the Expressways.

There was no recent history of default in respect of the Group's debtors. Since the debtors are local government authorities and government agencies in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the trade receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 31 December 2021 (2020: Nil).

- (ii) The balance as at 31 December 2021 mainly represented prepayment to suppliers of liquor and spirits business.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2021 \$'000	2020 \$'000 (restated)
Cash at bank and on hand	332,574	246,545

(b) Reconciliation of profit before taxation to cash generated from operating activities:

	Note	2021 \$'000	2020 \$'000 (restated)
Profit before taxation		233,040	111,493
Adjustments for:			
– Depreciation	5(c)	7,522	5,897
– Amortisation	5(c)	70,289	59,914
– Finance costs	5(c)	59,459	55,501
– Interest income	4	(4,295)	(2,694)
– Loss on disposal of property, plant and equipment		173	–
– Loss on disposal of an associates		385	–
– Share of profits of associates		(17,090)	(3,434)
– Share-based payment	5(b)	42,513	1,652
– Foreign exchange gain	4	(2,489)	(14,802)
Changes in working capital:			
Increase in inventories		(2,696)	(25,168)
(Increase)/decrease in trade and other receivables		(112,263)	10,524
Increase/(decrease) in accruals and other payables		15,153	(26,089)
(Decrease)/increase in amounts due to related parties		(5,919)	7,289
Increase/(decrease) in contract liabilities		23,829	(19,237)
Cash generated from operating activities		307,611	160,846

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowing	Amounts due to related parties	Interest payable	Lease liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	(Note 19)	(Note 25(c))	(Note 17)	(Note 20)	
At 1 January 2021 (restated)	1,089,781	9,988	6,516	2,232	1,108,517
Changes from financing cash flows:					
Repayment of bank loans and other borrowing	(1,197,184)	–	–	–	(1,197,184)
Proceeds from new bank loan	1,263,862	–	–	–	1,263,862
Borrowing costs paid	–	–	(64,410)	–	(64,410)
Capital element of lease rentals paid	–	–	–	(1,854)	(1,854)
Interest element of lease rentals paid	–	–	–	(138)	(138)
Total changes from financing cash flows	66,678	–	(64,410)	(1,992)	276
Exchange adjustments	51,870	209	119	48	52,246
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	3,221	3,221
Interest expenses (note 5(a))	–	–	59,321	138	59,459
Expense paid on behalf of the Group by related parties	–	292	–	–	292
Decrease in advance from related parties	–	(6,211)	–	–	(6,211)
Total other changes	–	(5,919)	59,321	3,359	56,761
At 31 December 2021	1,208,329	4,278	1,546	3,647	1,217,800

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities: (continued)

	Bank loan and other borrowing	Amounts due to related parties	Interest payable	Lease liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	(Note 19)	(Note 25(c))	(Note 17)	(Note 20)	
At 1 January 2020 (restated)	1,107,559	2,315	4,780	3,078	1,117,732
Changes from financing cash flows:					
Repayment of bank loans	(86,224)	–	–	–	(86,224)
Borrowing costs paid	–	–	(55,351)	–	(55,351)
Capital element of lease rentals paid	–	–	–	(1,362)	(1,362)
Interest element of lease rentals paid	–	–	–	(136)	(136)
Total changes from financing cash flows	(86,224)	–	(55,351)	(1,498)	(143,073)
Exchange adjustments	68,446	551	1,722	76	70,795
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	440	440
Interest expenses (note 5(a))	–	–	55,365	136	55,501
Expense paid on behalf of the Group by related parties	–	631	–	–	631
Receipt in advance from related parties	–	6,491	–	–	6,491
Total other changes	–	7,122	55,365	576	63,063
At 31 December 2020 (restated)	1,089,781	9,988	6,516	2,232	1,108,517

(d) Non-cash payment for dividend declared

As set out in note 1(b), on 25 April 2021, the Board of the Target Company has declared the payment of dividends to the Vendor and the non-controlling shareholder by the way of offsetting with amount due from related parties of HK\$11,272,000 and HK\$7,515,000 respectively.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 CASH AND CASH EQUIVALENTS (continued)

(e) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprises the following:

	2021 \$'000	2020 \$'000 (restated)
Within operating cash flows	320	262
Within financing cash flows	1,992	1,498
	2,312	1,760

These amounts relate to the following:

	2021 \$'000	2020 \$'000 (restated)
Lease rentals paid	2,312	1,760

17 ACCRUALS AND OTHER PAYABLES

	2021 \$'000	2020 \$'000 (restated)
Construction payables	51,562	47,498
Receipts in advance	501	2,296
Payroll and other staff benefits payable	10,526	11,281
VAT and surcharges	8,302	2,100
Interest payable	1,546	6,516
Other payables	23,465	17,108
	95,902	86,799

All of the accruals and other payables are expected to be settled or recognised as income within one year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

18 CONTRACT LIABILITIES

	2021 \$'000	2020 \$'000
Advances from sales of liquor and spirits	30,953	6,591

The Group receives deposits from customers, which are recognised as contract liabilities until control over the goods were transferred to the customers.

Typical payment terms which impact on the amount of contract liabilities are the receipts in advance for the sales of liquor and spirits.

All the contract liabilities as at 31 December 2020 are recognised as revenue during the year ended 31 December 2021. The Group expects that the contract liabilities as at 31 December 2021 will be recognised as revenue within one year.

19 BANK LOANS AND OTHER BORROWING

	2021 \$'000	2020 \$'000 (restated)
Current liabilities		
Current portion of a long-term secured bank loans	97,848	154,466
Short-term bank loan	36,693	–
Subtotal	134,541	154,466
Non-current liabilities		
Long-term secured bank loans	1,073,788	819,858
Other borrowing	–	115,457
Subtotal	1,073,788	935,315
Total	1,208,329	1,089,781

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 BANK LOANS AND OTHER BORROWING (continued)

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

	2021 \$'000	2020 \$'000 (restated)
Within 1 year or on demand	134,541	154,466
After 1 year but within 2 years	97,848	118,820
After 2 years but within 5 years	293,544	507,563
After 5 years	682,396	308,932
	1,208,329	1,089,781

At 31 December 2021, there is no unutilised banking facility amount.

The Group's rights to operate the Sui-Yue Expressway and Qing-Ping Expressway and receive toll fees therefrom, have been pledged to secure the long-term bank loans.

The long-term secured bank loans of the Group are subject to certain financial covenants. The Group regularly monitors its compliance with these covenants, and adherence to the timetable of the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 23(b). As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached (31 December 2020: nil).

The other borrowing was borrowed from the non-controlling shareholder of Hunan Daoyue Expressway Industry Co., Ltd., which was unsecured and based on the five years benchmark interest rate published by the People's Bank of China. The amount was fully repaid in 2021.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

20 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	2021		2020	
	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of the minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	1,796	1,931	1,285	1,366
After 1 year but within 2 years	1,528	1,581	364	404
After 2 years but within 5 years	323	328	583	607
	1,851	1,909	947	1,011
	3,647	3,840	2,232	2,377
Less: total future interest expenses		(193)		(145)
Present value of lease liabilities		3,647		2,232

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(A) CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION REPRESENTS:

	2021 \$'000	2020 \$'000 (restated)
PRC Corporate Income Tax	10,331	5,177

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(B) DEFERRED TAX ASSETS RECOGNISED:

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

	Intangible asset-service concession arrangement	Deductible tax losses	Others	Total
	\$'000	\$'000	\$'000	\$'000
<i>Deferred tax arising from:</i>				
At 1 January 2020 (restated)	137,484	2,252	651	140,387
(Charged)/credited to profit or loss (note 6(a))	(5,239)	2,048	(631)	(3,822)
Exchange adjustment	8,559	260	6	8,825
At 31 December 2020 (restated)	140,804	4,560	26	145,390
At 1 January 2021 (restated)	140,804	4,560	26	145,390
(Charged)/credited to profit or loss (note 6(a))	(7,023)	(4,605)	1,588	(10,040)
Exchange adjustment	4,060	45	(3)	4,102
At 31 December 2021	137,841	–	1,611	139,452

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(C) DEFERRED TAX ASSETS NOT RECOGNISED:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of deductible temporary differences of \$3,428,000 (2020(restated): \$3,145,000) and cumulative tax losses of \$52,755,000 (2020(restated): \$49,959,000) as it is not probable that future taxable profits against which the temporary differences losses can be utilised will be available in the relevant tax jurisdiction and entity.

As at 31 December 2021, tax losses of \$52,000 (2020(restated): \$684,000) in the PRC will expire in five years from the dates they were incurred, if unused.

As at 31 December 2021, tax losses of \$52,703,000 (2020(restated): \$49,275,000) in Hong Kong do not expire under current Hong Kong tax legislation.

(D) DEFERRED TAX LIABILITIES NOT RECOGNISED:

At 31 December 2021, temporary differences relating to the undistributed profits of subsidiaries amounted to \$137,480,000 (2020(restated): \$76,006,000). Deferred tax liabilities of \$13,748,000 (2020(restated): \$7,601,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS

(A) MOVEMENTS IN COMPONENTS OF EQUITY

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

Company	Share capital \$'000	Share premium \$'000	Other reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2020	4,126	80,118	510,388	(435,403)	159,229
Change in equity for 2020					
Total comprehensive income for the year	-	-	-	(7,715)	(7,715)
Balance at 31 December 2020	4,126	80,118	510,388	(443,118)	151,514
Balance at 1 January 2021	4,126	80,118	510,388	(443,118)	151,514
Change in equity for 2021:					
Total comprehensive income for the year	-	-	-	(19,352)	(19,352)
Dividends declared in respect of the current year	-	(24,756)	-	-	(24,756)
Equity settled share-based transactions	-	-	40,944	-	40,944
Balance at 31 December 2021	4,126	55,362	551,332	(462,470)	148,350

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(B) DIVIDENDS

Dividends payable to equity shareholders of the Company:

	2021 \$'000	2020 \$'000
Special interim dividend declared and paid of HK\$0.06 per ordinary share (2020: \$Nil)	24,756	–

On 31 May 2021, the Board of the Company declared a special interim dividend of \$0.06 per share to the shareholders of the Company for the year ended 31 December 2021 (2020: Nil).

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2021 (2020: Nil).

(C) SHARE CAPITAL

	2021		2020	
	Number of shares	Amount \$'000	Number of shares	Amount \$'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 and at 31 December	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.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(D) NATURE AND PURPOSE OF RESERVES

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business. Pursuant to the 134 of articles of association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

(ii) Statutory reserve

Pursuant to applicable PRC regulations, PRC subsidiaries are required to appropriate 10% of their profit after taxation (after offsetting prior years' losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Other reserve

- (1) 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".
- (2) Pursuant to the Group's reorganisation before its initial public offering, the ultimate controlling shareholder of the Group assigned the receivable balances due from Group companies amounted to \$513,388,000 to the Company. 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 recorded in "Other reserve".

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(D) NATURE AND PURPOSE OF RESERVES (continued)

(iii) Other reserve (continued)

- (3) On 17 December 2018, 17 June 2019, 18 June 2019, 30 July 2019 and 22 July 2021, the Group completed the disposal of 30% equity interest in Daoyue, 20% equity interest in Yuanque, 10% equity interest in Healthy Wine, 3% equity interest in Healthy Wine and 10% equity interest in Healthy Wine respectively. The difference between the fair value of consideration receivable and the net book value of subsidiary and other directly related transaction costs and tax were recorded in "Other reserve".
- (4) On 29 July 2020, the Group acquired 20% equity interest in Yuanque from a former substantial shareholder of a subsidiary, pursuant to the relevant share purchase agreement. As a result, the percentage of equity interest held by the Group in Yuanque increased from 80% to 100% during the year. The changes in the Group's equity interest in Yuanque resulted in a decrease in "Other reserve".
- (5) On 29 June 2021, the Group acquired 60% equity interest in the Target Company from the Vendor, the difference between the consideration of \$152,869,000 paid for acquisition of interest in the Target Company and the 60% of share capital of the Target Company of \$95,472,000 as at 29 June 2021 were recorded in "Other reserve". The acquisition is accounted for by using merger accounting as set out in note 1(b).

(iv) Share-based compensation reserve

(1) *Restricted Share Award Scheme in 2019*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employee as consideration for equity instruments (restricted shares) of a subsidiary. The restricted shares are recognised for the difference between the grant price and the fair value of the restricted shares at the grant date.

The executive director of a subsidiary approved the Restricted Share Award Scheme (the "Award Scheme") on 18 June 2019 and 30 July 2019 respectively (the "Grant Date"). Subsequently the restricted shares were allotted to the selected participant. Selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the allotted of the restricted shares to the vesting date (both dates inclusive) of such restricted shares.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(D) NATURE AND PURPOSE OF RESERVES (continued)

(iv) Share-based compensation reserve (continued)

(1) *Restricted Share Award Scheme in 2019* (continued)

The selected participants are management of subsidiaries. The total consideration of the restricted shares is \$6,655,000.

If the selected participant does not meet the vesting conditions, the restricted share will be repurchase based on the net asset of the subsidiary.

The above transaction was considered as equity-settled share-based payment to employee. The fair value of the subsidiary's shares allotted to employee on grant date, as determined by a professional valuation firm, was RMB12,461,800. Share-based payment expense of \$1,569,000 was recognised for the year ended 31 December 2021 (2020: \$1,462,000).

(2) *Share Option Scheme in 2021*

The Company has a share option scheme approved and adopted on 11 June 2020 ("Share Option Scheme"), pursuant to which share options may be granted to certain employees, directors and officers of the Group to subscribe for the ordinary shares of HK\$0.01 each (the "Share(s)") of the Company, subject to a maximum of 10% of the total number of Shares in issue as at the date of the passing of the relevant ordinary resolution approving the Share Option Scheme, being 41,260,800 Shares.

On 28 December 2021, the Company granted share options (the "Share Options") to 2 executive Directors, the chairman of the liquor and spirits trading business group of the Company and 42 employees of the Group (the "Grantees") the right to subscribe for a total of 40,000,000 Shares in the share capital of the Company, which represents approximately 9.69% of the Company's issued Share capital at the date of grant, subject to acceptance of the Grantees. The exercise price is HK\$2.89 per Share option, which represents the highest of (i) the closing price of HK\$2.89 per Share as stated in the Stock Exchange's daily quotation sheets on 28 December 2021, being the date of grant; (ii) the average closing price of HK\$2.838 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of HK\$0.01 per Share. These Share options granted have no vesting period and will be exercisable until the last day of the one year period after the date of grant of the Share Options, subject to the terms and conditions described in the offer letter at the time of the grant of the Share Options.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(D) NATURE AND PURPOSE OF RESERVES (continued)

(iv) Share-based compensation reserve (continued)

(2) Share Option Scheme in 2021 (continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binominal Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

<i>Fair value of share options and assumptions</i>	2021
Fair value at measurement date	HK\$0.955 – HK\$1.057
Share price	HK\$2.89
Exercise price	HK\$2.89
Early exercise multiple	2.2x – 2.8x
Post-vesting exit rate	8.61% – 34.06%
Expected volatility	100.18%
Option life	1 year
Expected dividends	0%
Risk-free interest rate	0.27%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year.

There were no service conditions or market conditions associated with the share option grants.

Share-based payment expense of \$40,934,000 was recognised for the year ended 31 December 2021.

(v) Exchange reserve

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (continued)

(D) NATURE AND PURPOSE OF RESERVES (continued)

(vi) Distributable reserve

At 31 December 2021, the aggregate amount of reserves declared and available for distribution to equity shareholders of the Company was \$55,362,000 (2020: \$80,118,000).

In addition, the long-term secured bank loan of the Group is subject to certain covenants and the Group's PRC subsidiary, Daoyue, is required to obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years from 2021 to 2032.

(E) CAPITAL MANAGEMENT

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

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

The Group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities). Equity comprises all components of equity.

The adjusted net debt-to-equity ratio of the Group at 31 December 2021 and 2020 is as follows:

	2021 \$'000	2020 \$'000 (restated)
Adjusted net debt	1,211,976	1,092,013
Total equity	878,280	817,790
Debt-to-equity ratio	138%	134%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT

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

(A) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, and cash at bank and on hand. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

To measure ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information. Given all of trade receivables are aged within one month and the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the Expressways, management considered the default rate of trade receivables to be minimal and the expected credit loss rate of local government authorities and government agencies to be nil. As a result, no provision for impairment of trade receivables is necessary.

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

(B) LIQUIDITY RISK

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT (continued)

(B) LIQUIDITY RISK (continued)

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

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

	Contractual undiscounted cash outflow				Total \$'000	Carrying amount \$'000
	Within 1 year or on demand \$'000	More than 1 year but less than 2 years \$'000	More than 2 years but less than 5 years \$'000	More than 5 years \$'000		
2021						
Accruals and other payables (excluding receipts in advance)	95,401	–	–	–	95,401	95,401
Lease liabilities	1,931	1,581	328	–	3,840	3,647
Amounts due to related parties	4,278	–	–	–	4,278	4,278
Amount due to the controlling shareholder of the Company	–	–	–	101,976	101,976	101,976
Bank loans and other borrowing	188,055	146,400	411,606	783,689	1,529,750	1,208,329
	289,665	147,981	411,934	885,665	1,735,245	1,413,631

	Contractual undiscounted cash outflow				Total \$'000	Carrying amount \$'000
	Within 1 year or on demand \$'000 (restated)	More than 1 year but less than 2 years \$'000 (restated)	More than 2 years but less than 5 years \$'000 (restated)	More than 5 years \$'000 (restated)		
2020						
Accruals and other payables (excluding receipts in advance)	84,503	–	–	–	84,503	84,503
Lease liabilities	1,367	404	607	–	2,378	2,232
Amounts due to related parties	9,988	–	–	–	9,988	9,988
Amount due to the controlling shareholder of the Company	–	–	–	101,976	101,976	101,976
Bank loans and other borrowing	200,572	157,238	616,169	326,010	1,299,989	1,089,781
	296,430	157,642	616,776	427,986	1,498,834	1,288,480

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT (continued)

(C) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rates risk arises primarily from bank loans and other borrowings issued at variable rates that expose the Group to cash flow interest rate risk. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements.

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

(i) Interest rate profile

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

	2021		2020	
	Effective interest rate %	Amount \$'000	Effective interest rate %	Amount \$'000 (restated)
Variable rate instruments:				
Long-term secured bank loans	4.750	1,171,636	5.336	974,324
Other borrowing	–	–	4.750	115,457
Short-term bank loan	4.850	36,693	–	–
Total net borrowings		1,208,329		1,089,781

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year and accumulated losses by approximately \$2,266,000 in response to the general increase/decrease in interest rates (2020 (restated): \$2,043,000).

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(Expressed in Hong Kong dollars unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT (continued)

(C) INTEREST RATE RISK (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit for the year (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2020.

(D) CURRENCY RISK

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

At 31 December 2021, the Group is exposed to currency risk primarily through inter-company balances that are denominated in RMB, with carrying amount of \$19,399,000 (2020 (restated): \$188,011,000).

At 31 December 2021, assuming all other risk variables remained constant, a 1% strengthening/ (weakening) of the RMB against HKD would have increased/decreased equity and net profit by the amount of \$194,000 (2020 (restated): \$1,880,000). Results of the analysis represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and equity measured in the functional currency, translated into HKD at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2020.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

24 CONTINGENT LIABILITIES

FINANCIAL GUARANTEES ISSUED

As at 31 December 2021, the Company has issued a single guarantee to a bank in respect of a banking facility granted to a non-wholly owned subsidiary which expires on 8 May 2032.

As at 31 December 2021, the directors do not consider it probable that a claim will be made against the Company under any of the guarantee. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the total bank loan by the subsidiary of \$1,171,636,000 (2020: \$926,796,000).

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

25 MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the year ended 31 December 2021, the directors are of the view that the following 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. ("Huayu Investment")	Under the control of the controlling shareholder of the Company
Shenzhen Yufa Property Management Co., Ltd.	Under the control of the controlling shareholder of the Company
Shenzhen Huayu Telecom Equipment Development Co., Ltd.	Under the control of the controlling shareholder of the Company
Xinchuangjian (Guangdong) Investment Co., Ltd.	Material non-controlling interest
Shenzhen Expressway Company Limited	Material non-controlling interest
Guizhou Renhuai Xianyechang Trading Co., Ltd.	Material non-controlling interest
Hunan Huayu Xiaoxiang Liquor Co., Ltd.	Associate
Henan Huayu Dingli Liquor Co., Ltd.	Associate
Shanxi Huayu Hengyun Liquor Co., Ltd.	Associate
Beijing Huayu Shengjing Liquor Co., Ltd.	Associate
Guizhou Huayu Shenqian Liquor Co., Ltd.	Associate
Guangdong Huayu Yuehai Liquor Co., Ltd.	Associate
Shandong Huayu Detai Liquor Co., Ltd.	Associate
Shenzhen High-speed Advertising Co., Ltd.	Under the control of a shareholder with significant influence on a subsidiary
Shenzhen High-speed Operation Development Co., Ltd.	Under the control of a shareholder with significant influence on a subsidiary

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (continued)

- (b) Particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2021 \$'000	2020 \$'000 (restated)
Sales to associates		
– Hunan Huayu Xiaoxiang Liquor Co., Ltd.	70,166	25,125
– Henan Huayu Dingli Liquor Co., Ltd.	50,755	24,851
– Guizhou Huayu Shengqian Liquor Co., Ltd.	27,714	19,223
– Shanxi Huayu Hengyun Liquor Co., Ltd.	32,267	10,662
– Beijing Huayu Shengjing Liquor Co., Ltd.	43,427	21,340
– Guangdong Huayu Yuehai Liquor Co., Ltd.	47,972	–
– Shandong Huayu Detai Liquor Co., Ltd.	47,426	–
	319,727	101,201
Expense paid on behalf of the Group by related parties		
– Huayu Investment	15	372
– Xinchuangjian (Guangdong) Investment Co., Ltd.	277	259
	292	631
Repayment to related parties from the Group		
– Huayu Investment	–	169
– Xinchuangjian (Guangdong) Investment Co., Ltd.	124,566	259
	124,566	428
Interest on borrowing from a related company		
– Xinchuangjian (Guangdong) Investment Co., Ltd.	1,933	5,277
Disposal of partial equity interests in a subsidiary		
– Guizhou Renhuai Xianyechang Trading Co., Ltd.	23,716	–

Disposal of partial equity interests in a subsidiary represented the Group disposed 10% equity interest in Healthy Wine to Guizhou Renhuai Xianyechang Trading Co., Ltd., an entity controlled by Mr Ran Changxian who is the chairman of the liquor and spirits trading business group of the Company, at a consideration of \$23,716,000 in 2021.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

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

	2021 \$'000	2020 \$'000 (restated)
Amounts due from related parties		
Non-trade		
– Shenzhen Expressway Company Limited	14,241	21,239
– Huayu Investment	2,899	31,860
– Guizhou Renhuai Xianyechang Trading Co., Ltd.	14,328	4,753
Trade		
– Guizhou Huayu Shenqian Liquor Co., Ltd.	–	61
– Shanxi Huayu Hengyun Liquor Co., Ltd.	4,929	–
	36,397	57,913
Amounts due to related parties		
Non-trade		
– Shenzhen Huayu Telecom Equipment Development Co., Ltd.	127	1,361
– Shenzhen Yufa Property Management Co., Ltd.	86	83
– Shenzhen High-speed Advertising Co., Ltd.	24	24
– Shenzhen High-speed Operation Development Co., Ltd.	–	98
– Xinchuangjian (Guangdong) Investment Co., Ltd.	71	68
– Huayu Investment	669	536
Trade		
– Hunan Huayu Xiaoxiang Liquor Co., Ltd.	489	2,414
– Henan Huayu Dingli Liquor Co., Ltd.	489	3,031
– Shanxi Huayu Hengyun Liquor Co., Ltd.	428	172
– Beijing Huayu Shengjing Liquor Co., Ltd.	489	2,142
– Shandong Huayu Detai Liquor Co., Ltd.	489	–
– Guizhou Huayu Shenqian Liquor Co., Ltd.	428	59
– Guangdong Huayu Yuehai Liquor Co., Ltd.	489	–
	4,278	9,988

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

	2021 \$'000	2020 \$'000 (restated)
Contract liabilities		
– Beijing Huayu Shengjing Liquor Co., Ltd.	2,496	–
– Henan Huayu Dingli Liquor Co., Ltd.	1,514	–
– Guizhou Huayu Shenqian Liquor Co., Ltd.	185	–
– Hunan Huayu Xiaoxiang Liquor Co., Ltd.	54	–
	4,249	–
Amount due to the controlling shareholder of the Company		
Non-trade	101,976	101,976
Other borrowings from a related company		
– Xinchuangjian (Guangdong) Investment Co., Ltd.	–	115,457
Interest payable on borrowings from a related company		
– Xinchuangjian (Guangdong) Investment Co., Ltd.	–	5,103

Balances with Huayu Investment and the controlling shareholder of the Company represented advances made from related parties of the Group. These advances are unsecured and interest-free.

Amount due from Guizhou Renhuai Xianyechang Trading Co., Ltd represented outstanding receivables arising from the sale of partial equity interests in a subsidiary (note 25(b)).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Key management personnel remuneration

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

	2021 \$'000	2020 \$'000 (restated)
Short-term employee benefits	23,779	4,728

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

(e) Applicability of the Listing Rules relating to connected transactions

The related party transaction in respect of disposal of partial equity interests in a subsidiary to Guizhou Renhuai Xianyechang Trading Co., Ltd, an entity controlled by Mr Ran Changxian who is the chairman of the liquor and spirits trading business group of the Company as set out in note 25(b) above constitutes connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, the transaction is subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirement as it is a transaction with a connected person at the subsidiary level.

Amount due to the controlling shareholder of the Company as set out in note 25(c) which are related to advance from the controlling shareholder of the Company constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules, as they are conducted on normal commercial terms or better and not secured by the assets of the Group.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2021 \$'000	At 31 December 2020 \$'000
Non-current assets			
Interests in subsidiaries	12	187,846	158,131
Advance to subsidiaries		1,730	11,176
		189,576	169,307
Current asset			
Cash and cash equivalents		1,558	1,559
Current liabilities			
Amounts due to subsidiaries		32,055	9,826
Accruals and other payables		4,932	3,729
		36,987	13,555
Net current liabilities		(35,429)	(11,996)
Total assets less current liabilities		154,147	157,311
Non-current liability			
Amount due to the controlling shareholder of the Company		5,797	5,797
NET ASSETS		148,350	151,514
CAPITAL AND RESERVES			
Share capital	22	4,126	4,126
Reserves		144,224	147,388
TOTAL EQUITY		148,350	151,514

Approved and authorised for issue by the board of directors on 25 March 2022.

Chan Yeung Nam
Chairman

Fu Jie Pin
Executive Director

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 COMPARATIVE FIGURES

As explained in note 1(b) to the consolidated financial statements, due to the Group's application of AG 5 merger accounting for business combinations under common control and change in operating segments determined by the Group's CODM during the year, certain comparative amounts have been restated to conform with the current year's accounting treatments and presentation.

28 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

At 31 December 2021, the directors consider the immediate parent and ultimate controlling party of the Group to be Velocity International Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

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