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

2013
INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 919, 9/F
China Merchants Tower
Shun Tak Centre
Sheung Wan
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation
Wing Lung Bank

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Management Discussion and Analysis

FINANCIAL REVIEW

TURNOVER

For the six months ended 30 June 2013 (the "Period"), the Group recorded a turnover of approximately HK$77.3 million, increased by about 79.8% from the corresponding period last year of approximately HK$43.0 million. Toll revenue received from the Sui-Yue Expressway (Hunan Section) (the "Expressway") for the Period was about HK$56.8 million, increased by 35.9% from about HK$41.8 million of the corresponding period in 2012. This year is the second year of operation of the Expressway and growth in the traffic flow was satisfactory. In addition to toll revenue, the Group also had approximately HK$20.5 million of rental income from the leasing of the service area along the Expressway.

COST AND GROSS PROFIT

The cost and gross profit of the Group were approximately HK$28.7 million and HK$48.6 million for the Period respectively as compared to the corresponding period last year of approximately HK$22.1 million and HK$20.9 million, respectively. The cost of the Group is mainly consisted of staff cost and amortization of the concession right of the Expressway. Due to the growth in the traffic flow, the corresponding amortization of the concession right increased during the Period. As a result, the cost of the Group increased by 30.2%. The increase in the gross profit was mainly attributable to the rental income received from the leasing of the service area along the Expressway which commenced in the second half of 2012.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period were approximately HK$13.7 million, decreased by about 4.3% from that of the period ended 30 June 2012. Since the commencement of the operation of the Expressway last year, most of the administrative expenses were salary and wages.

FINANCE COSTS

Finance costs of the Group for the Period was approximately HK$44.8 million and decreased by 7.0% as compared to the corresponding period last year due to a decrease in the interest rate for the Group's borrowings during the year.

Management Discussion and Analysis

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to equity shareholders of the Company for the Period was approximately HK$0.3 million while the Group recorded loss of HK$47.6 million for the period ended 30 June 2012. The improvement in the result was mainly due to the significant growth in the traffic flow and the commencement of receiving rental income from leasing of the service area along the Expressway since the second half of 2012. In addition, the Directors of the Group reviewed the operation of the Expressway and do not consider any impairment loss in the value of the service concession right regarding the Expressway is necessary.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2013, the Group financed its operations and capital expenditures with internal resources of the Company and long term bank loans. As at 30 June 2013, total bank loans drawn by the Group amounted to about HK$1,357.8 million (as at 31 December 2012: HK$1,336.6 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to HK$17.9 million (as at 31 December 2012: HK$21.8 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital in future development. As at 30 June 2013, total banking facilities of the Group amounted to HK$1,380.9 million from China Merchants Bank and Wing Lung Bank Limited, which is mainly for the construction cost of the Expressway, among which the outstanding secured bank loan was HK$1,357.8 million (as at 31 December 2012: HK$1,336.6 million). The ratio of total outstanding bank loans to equity attributable to shareholders was 665.7%. (as at 31 December 2012: 668.3%).

The Group's borrowings were mainly arranged on a floating rate basis. During the Period, the Group used interest rate swaps to convert the rate from floating to fixed rate basis to hedge part of the Group's underlying interest rate fluctuation exposure. As at 30 June 2013, the Group had outstanding floating-to-fixed interest rate swap contracts in the aggregate amount of HK$600 million (as at 31 December 2012: HK$600 million).

EMPLOYEES AND EMOLUMENTS

As at 30 June 2013, the Group employed a total of 225 (as at 31 December 2012: 221) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the six month ended 30 June 2013, the Group's total expenses on the remuneration of employees was approximately HK$10.6 million (as at 31 December 2012: HK$9.5 million).

The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

Management Discussion and Analysis

FOREIGN EXCHANGE RISK

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

As at 30 June 2013, the Group had not entered into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arises.

PLEDGE OF ASSETS

The banking facilities of HK$1,380.9 million from China Merchants Bank and Wing Lung Bank was secured by a pledge of the toll collection right in relation to the Expressway.

BUSINESS REVIEW

SUI-YUE EXPRESSWAY (HUNAN SECTION)

Average traffic flow per month of the Expressway increased gradually since its commencement of operations. Total toll collected during the Period was about HK$56.8 million. In addition, the Group recorded rental income of about HK$20.5 million from leasing of the service area along the Expressway during the Period. With these significant amounts of income, the Group is optimistic about the future prospects of the Expressway.

FUTURE PLANS AND PROSPECTS

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

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

Management Discussion and Analysis

GOING CONCERN BASIS

At 30 June 2013, the Group's net current liabilities were HK$823,261,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

i the Group expects to generate positive operating cash flows for the next twelve months;

ii the Group has secured a contractual right to draw down from a long-term secured bank loan facility of HK$598,293,000 to repay the bank loan of HK$598,293,000 when it falls due in the second half of 2013 or should it be recalled on demand by the bank. Based on the cash flow forecast, the Group expects to meet the remaining scheduled repayment obligations in the following 12 months from 30 June 2013. In addition, the Group expects to comply with bank covenants so that immediate demand for payment is not expected to be triggered;

iii at 30 June 2013, the Group's contract retention of HK$57,202,000 were expected to be settled after more than 1 year;

iv advance receipt of HK$92,272,000 represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;

v the controlling shareholder of the Company has undertakens that repayment of advances of HK$71,599,000 at 30 June 2013 will not be requested in the following 12 months; and

vi the Group is in the process of applying to obtain additional long term bank loan facilities to cover the additional construction cost incurred. Based on the current status of the application, the Directors are confident that the group will be successful in obtaining the approval from the bank.

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

Corporate Governance and Other Information

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

As at 30 June 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of the Company (the "Model Code") contained in the Rules of Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

Name of Directors	Nature of Interest	Number of shares	Percentage
Mr. Chan Yeung Nam (Note)	Interest of controlled corporation[2] and Beneficial Owner	300,000,000	72.71%

Notes: 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.

Apart from the forgoing, as at 30 June 2013, none of the directors or chief executive of the Company or any of their spouses or children under eighteen years of age had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

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

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

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

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

As at 30 June 2013, so far as is known to any directors or chief executive of the Company, the persons (other than the directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of shareholders	Long position in ordinary shares held	Percentage of total issued shares
Velocity International Limited (Note)	300,000,000	72.71%

Notes: The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive director and the chairman of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares for the six months ended 30 June 2013.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of shareholders. It had adopted the code provisions contained in the Corporate Governance Code ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company had complied with the code provisions contained in the CG Code for the six months ended 30 June 2013.

AUDIT COMMITTEE

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

The audit committee of the Company has met and discussed with the external auditors of the Company, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the results of the Group for the six months ended 30 June 2013. The audit committee considered that the consolidated results of the Group for the six months ended 30 June 2013 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

REVIEW OF THE INTERIM REPORT

The interim financial report for the six months ended 30 June 2013 has not been audited, but have been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the auditors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Hong Kong, 28 August 2013

Independent Review Report

KPMG

Independent review report to the board of directors of Huayu Expressway Group Limited
(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 32 which comprises the consolidated statement of financial position of Huayu Expressway Group Limited as of 30 June 2013 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Independent Review Report

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 1 to the interim financial report which indicates that as of 30 June 2013, the group's current liabilities exceed its current assets by approximately HK$823,261,000. As explained in note 1 to the interim financial report has been prepared on a going concern basis, the validity of which depends upon the ongoing support from the group's bankers and the group's ability to generate sufficient cash flows from future operations to cover the group's operating costs and to meet its financing commitments. These conditions, along with other matters as set forth in note 1 to the interim financial report, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern.

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

28 August 2013

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2013 – unaudited

	Note	Six months ended 30 June 2013 HK$'000	2012 HK$'000
Turnover	3	**77,300**	42,996
Cost of sales		**(28,735)**	(22,074)
Gross profit		**48,565**	20,922
Other revenue	4	**381**	72
Other net income/(loss)	4	**9,735**	(3,671)
Administrative expenses		**(13,657)**	(14,264)
Impairment loss	9	**–**	(13,609)
Profit/(loss) from operations		**45,024**	(10,550)
Finance costs	5(a)	**(44,836)**	(48,208)
Profit/(loss) before taxation	5	**188**	(58,758)
Income tax	6	**–**	6,453
Profit/(loss) for the period		**188**	(52,305)
Attributable to:			
Equity shareholders of the company		**(283)**	(47,599)
Non-controlling interests		**471**	(4,706)
Profit/(loss) for the period		**188**	(52,305)
Loss per share (HK Cents)			
Basic and diluted	7	**0.07**	11.54

The notes on pages 18 to 32 form part of this interim financial report.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the six months ended 30 June 2013 – unaudited

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Profit/(loss) for the period	**188**	(52,305)
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– Financial statements of a subsidiary outside Hong Kong	**4,718**	(2,823)
Total comprehensive income for the period	**4,906**	(55,128)
Attributable to:		
Equity shareholders of the company	**3,963**	(50,140)
Non-controlling interests	**943**	(4,988)
Total comprehensive income for the period	**4,906**	(55,128)

The notes on pages 18 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2013 – unaudited

	Note	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Non-current assets			
Property, plant and equipment	8	**26,602**	28,765
Intangible asset – service concession arrangement	9	**1,692,640**	1,680,888
Deferred tax assets		**152,235**	149,556
		1,871,477	1,859,209
Current assets			
Prepayments and other receivables	10	**10,428**	11,896
Cash at bank and in hand	11	**17,861**	21,809
		28,289	33,705
Current liabilities			
Derivative financial instrument		**3,432**	1,966
Accruals and other payables	12	**233,213**	259,657
Amount due to a related company	17(c)	**2,802**	2,306
Bank loans	13	**612,103**	601,578
		851,550	865,507
Net current liabilities		**(823,261)**	(831,802)
Total assets less current liabilities		**1,048,216**	1,027,407
Non-current liabilities			
Bank loan	13	**745,708**	735,047
Amount due to the controlling shareholder of the company	17(c)	**71,599**	66,357
		817,307	801,404
NET ASSETS		**230,909**	226,003

The notes on pages 18 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2013 – unaudited

	Note	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
CAPITAL AND RESERVES	14		
Share capital		**4,126**	4,126
Reserves		**199,854**	195,891
Total equity attributable to equity shareholders of the company		**203,980**	200,017
Non-controlling interests		**26,929**	25,986
TOTAL EQUITY		**230,909**	226,003

Approved and authorised for issue by the board of directors on 28 August 2013.

Chan Yeung Nam
Directors

Mai Qing Quan
Directors

The notes on pages 18 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 – unaudited

	Attributable to equity shareholders of the company							
	Share capital Note 14(a) HK$'000	Share premium Note 14(b)(i) HK$'000	Other reserve Note 14(b)(ii) HK$'000	Exchange reserve Note 14(b)(iii) HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2012	4,126	130,044	502,784	49,454	(227,457)	458,951	53,501	512,452
Changes in equity for the six months ended 30 June 2012:								
Total comprehensive income	–	–	–	(2,541)	(47,599)	(50,140)	(4,988)	(55,128)
Balance at 30 June 2012 and 1 July 2012	4,126	130,044	502,784	46,913	(275,056)	408,811	48,513	457,324
Changes in equity for the six months ended 31 December 2012:								
Total comprehensive income	–	–	–	2,333	(211,127)	(208,794)	(22,527)	(231,321)
Balance at 31 December 2012 and 1 January 2013	4,126	130,044	502,784	49,246	(486,183)	200,017	25,986	226,003
Changes in equity for the six months ended 30 June 2013:								
Total comprehensive income	–	–	–	4,246	(283)	3,963	943	4,906
Balance at 30 June 2013	4,126	130,044	502,784	53,492	(486,466)	203,980	26,929	230,909

The notes on pages 18 to 32 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 – unaudited

	Note	Six months ended 30 June	
		2013	2012
		HK$'000	HK$'000
Cash generated from operations		**32,045**	20,964
Tax paid		**–**	–
Net cash generated from operating activities		**32,045**	20,964
Net cash used in investing activities		**(4,862)**	(170,928)
Net cash (used in)/generated from financing activities		**(31,852)**	16,102
Net decrease in cash and cash equivalents		**(4,669)**	(133,862)
Cash and cash equivalents at 1 January		**13,176**	159,588
Effect of foreign exchange rate changes		**566**	1,446
Cash and cash equivalents at 30 June	11	**9,073**	27,172

The notes on pages 18 to 32 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes includes an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 10 to 11.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2013.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION (CONTINUED)

At 30 June 2013, the Group's net current liabilities were $823,261,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

i the Group expects to generate positive operating cash flows for the next twelve months;

ii the Group has secured a contractual right to draw down from a long-term secured bank loan facility of $598,293,000 to repay the bank loan of $598,293,000 when it falls due in the second half of 2013 or should it be recalled on demand by the bank. Based on the cash flow forecast, the Group expects to meet the remaining scheduled repayment obligations in the following 12 months from 30 June 2013. In addition, the Group expects to comply with bank covenants so that immediate demand for payment is not expected to be triggered;

iii at 30 June 2013, the Group's contract retention of $57,202,000 were expected to be settled after more than 1 year;

iv advance receipt of $92,272,000 represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;

v the controlling shareholder of the Company has undertakens that repayment of advances of $71,599,000 at 30 June 2013 will not be requested in the following 12 months; and

vi the Group is in the process of applying to obtain additional long term bank loan facilities to cover the additional construction cost incurred. Based on the current status of the application, the Directors are confident that the group will be successful in obtaining the approval from the bank.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

AMENDMENTS TO HKAS 1, PRESENTATION OF FINANCIAL STATEMENTS – PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement with other entities as at 1 January 2013.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, FAIR VALUE MEASUREMENT

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The group has provided those disclosures in note 15. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

AMENDMENTS TO HKFRS 7 – DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments:

Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the group's interim financial report because the group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 TURNOVER

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

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

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Construction revenue in respect of service concession arrangement	**–**	1,234
Toll income	**56,764**	41,762
Rental revenue	**20,536**	–
	77,300	42,996

4 OTHER REVENUE AND NET INCOME/(LOSS)

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

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Other revenue		
Billboard rental income	**336**	–
Interest income from bank deposits	**45**	72
	381	72
Other net income/(loss)		
Net foreign exchange gain/(loss)	**11,111**	(3,244)
Change in fair value of a derivative financial instrument	**(1,432)**	(427)
Others	**56**	–
	9,735	(3,671)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

5 PROFIT/(LOSS) BEFORE TAXATION

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

		Six months ended 30 June	
		2013	2012
		$'000	$'000
(a)	**Finance costs:**		
	Interest on bank loans	**44,836**	48,208
(b)	**Staff costs:**		
	Salaries, wages and other benefits	**9,225**	8,517
	Contributions to defined contribution retirement plans	**1,361**	933
		10,586	9,450

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

The group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income subject to a cap of monthly relevant income of $25,000 ($20,000 prior to June 2012). Contributions to the plan vest immediately.

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

		Six months ended 30 June	
		2013	2012
		$'000	$'000
(c)	**Other items:**		
	Depreciation	**2,751**	406
	Amortisation (note 9)	**18,189**	13,790
	Impairment loss of intangible asset (note 9)	**–**	13,609
	Operating lease charges in respect of rental of office premises	**425**	743

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Deferred tax		
Origination and reversal of temporary differences	–	(6,453)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the group did not have assessable profits subject to Hong Kong Profits Tax during the periods ended 30 June 2013 and 2012.

(iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiary in the PRC is liable to PRC corporate income tax at a rate of 25% (2012: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the group did not have assessable profits subject to PRC corporate income tax during the periods ended 30 June 2013 and 2012.

7 LOSS PER SHARE

(A) LOSS PER SHARE

The calculation of loss per share is based on the consolidated loss attributable to ordinary equity shareholders of the company for the period of $283,000 (six months ended 30 June 2012: $47,599,000) and the weighted average number of 412,608,000 (2012: 412,608,000) shares in issue during the interim period.

(B) DILUTED LOSS PER SHARE

There were no dilutive potential ordinary shares for the six months ended 30 June 2013 and 2012, therefore, diluted loss per share is equivalent to basic loss per share.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the group acquired items of equipments with a cost of $422,000 (six months ended 30 June 2012: $1,767,000). No items of equipments were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: $nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

	At 30 June 2013 $'000	At 31 December 2012 $'000
Cost:		
At 1 January	**2,288,894**	2,211,923
Additions	**–**	77,086
Exchange adjustments	**41,016**	(115)
At 30 June/31 December	**2,329,910**	2,288,894
Accumulated amortisation:		
At 1 January	**(29,242)**	(294)
Charge for the period/year	**(18,189)**	(28,857)
Exchange adjustments	**(704)**	(91)
At 30 June/31 December	**(48,135)**	(29,242)
Accumulated impairment loss:		
At 1 January	**(578,764)**	(275,464)
Impairment loss	**–**	(303,345)
Exchange adjustments	**(10,371)**	45
At 30 June/31 December	**(589,135)**	(578,764)
Net book value:		
At 30 June/31 December	**1,692,640**	1,680,888

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (CONTINUED)

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

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

During the six months ended 30 June 2013, there is no additions (six months ended 30 June 2012: $40,200,000) or disposals recognised for intangible assets (six months ended 30 June 2012: $nil). No impairment loss is recognised during the six months ended 30 June 2013 (six months ended 30 June 2012: $13,609,000).

IMPAIRMENT LOSS

The impairment previously recognised were determined by the estimation of recoverable amount compared to its carrying value as at 31 December 2012. The recoverable amount of the cash generating unit containing the Sui-Yue Expressway (Hunan Section) (the "Expressway") was determined by value in use, based on the expected free cash flows up to the end of the service concession arrangement period, and a pre-tax discount rate.

Key assumptions used for the value in use calculation of 2012 are average annual toll revenue growth rate over the concession period of 8.9%, and pre-tax discount rate of 14.2%.

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

The toll revenue growth rate was determined based on forecasted traffic volume growth and increase in toll rates. The average traffic volume growth rate is estimated to be 5.2% per annum over the concession period. A toll rate increase of 15% every 5 years is assumed in the forecast. Actual toll rate adjustments are subject to approval by the Provincial Price Control Bureau.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

10 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2013 $'000	At 31 December 2012 $'000
Prepayments	**9,515**	11,091
Other receivables	**913**	805
	10,428	11,896

11 CASH AND CASH EQUIVALENTS

	At 30 June 2013 $'000	At 31 December 2012 $'000
Cash at bank and in hand	**9,073**	13,176
Restricted bank deposits for interest rate swap of maturity of more than 3 months	**8,788**	8,633
Cash and cash equivalents in the statement of financial position and cash flow statement	**17,861**	21,809

12 ACCRUALS AND OTHER PAYABLES

	At 30 June 2013 $'000	At 31 December 2012 $'000
Construction costs payable	**126,530**	132,931
Advance received	**92,272**	112,230
Accruals	**14,411**	14,496
	233,213	259,657

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

12 ACCRUALS AND OTHER PAYABLES (CONTINUED)

Included in accruals and other payables as at 30 June 2013 are contract retention deposits to independent contractors of $57,202,000 (2012: $74,945,000) which are expected to be settled after more than one year. The advance received expected to be recognised as income after more than one year is $48,333,000(2012: $77,698,000). All of the remaining accruals and other payables are expected to be settled within one year.

13 BANK LOANS

	At 30 June 2013 $'000	At 31 December 2012 $'000
Current liabilities		
Current portion of long-term secured bank loan	**13,810**	12,333
Bank loan repayable on demand	**598,293**	589,245
	612,103	601,578
Non-current liabilities		
Long-term secured bank loan	**745,708**	735,047
	1,357,811	1,336,625

At 30 June 2013 and 31 December 2012, the bank loans were repayable as follows:

	At 30 June 2013 $'000	At 31 December 2012 $'000
Within 1 year	**612,103**	601,578
After 1 year but within 2 years	**26,364**	24,666
After 2 years but within 5 years	**154,414**	147,996
After 5 years	**564,930**	562,385
	1,357,811	1,336,625

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 BANK LOANS (CONTINUED)

	Six months ended 30 June	
	2013	2012
	$'000	$'000
Repayment	**1,253**	–

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

Among the bank loans due within one year, $598,293,000 falls due in November 2013 and is repayable on demand by the lender irrespective of whether the group has complied with the covenants and met the scheduled repayment obligations.

The 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. As at 30 June 2013, none of the covenants relating to drawn down facilities had been breached (2012: Nil).

14 CAPITAL, RESERVES AND DIVIDENDS

(A) SHARE CAPITAL

	As at 30 June 2013		As at 31 December 2012	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**	10,000,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January	**412,608,000**	**4,126**	412,608,000	4,126
At 30 June 2013/31 December 2012	**412,608,000**	**4,126**	412,608,000	4,126

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(A) SHARE CAPITAL (CONTINUED)

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

(B) RESERVES

(i) Share premium

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

(ii) Other reserve

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

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

(iii) Exchange reserve

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

(C) DIVIDENDS

The directors do not propose the payment of interim dividend for the six months ended 30 June 2013 (2012: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(I) FAIR VALUE HIERARCHY

	Fair value measurements			
	30 June 2013		31 December 2012	
	Fair value	Significant other observable inputs (Level 2)	Fair value	Significant other observable inputs (Level 2)
	$'000	$'000	$'000	$'000
Financial liabilities:				
Derivative financial instruments:				
– Interest rate swaps	3,432	3,432	1,966	1,966

The carrying amount of bank loan approximate their fair value based on the borrowing rates currently available for loans with similar terms and average maturities.

The amounts due to related companies as at 30 June 2013 and 31 December 2012 have no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

All other financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2013 and 31 December 2012.

(II) VALUATION TECHNIQUES AND INPUTS USED IN LEVEL 2 FAIR VALUE MEASUREMENTS

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

16 COMMITMENTS

OPERATING LEASE COMMITMENTS

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2013 $'000	At 31 December 2012 $'000
Within 1 year	437	802

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 MATERIAL RELATED PARTY TRANSACTIONS

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

(A) During the period, the directors are of the view that the following individual and companies are related parties of the group:

Name of party	Relationship
Mr Chan Yeung Nam	Controlling shareholder of the company
Shenzhen Huayu Investment & Development (Group) Co. Ltd.* 深圳華昱投資開發（集團）有限公司	Under the control of the controlling shareholder of the company

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

(B) Particulars of significant transactions between the group and the above related parties during the period are as follows:

	Six months ended 30 June	
	2013 **$'000**	2012 $'000
Expense paid on behalf of the group by a related company		
– Shenzhen Huayu Investment & Development (Group) Co., Ltd.	**(450)**	(665)
Advance from the controlling Shareholder of the company	**(19,750)**	(5,170)

(C) BALANCES WITH RELATED PARTIES

As at 30 June 2013 and 31 December 2012, the group had the following balances with related parties:

	At 30 June 2013 $'000	At 31 December 2012 $'000
Amount due to a related company		
– Shenzhen Huayu Investment & Development (Group) Co., Ltd.	**(2,802)**	(2,306)
Amount due to the controlling shareholder shareholder of the company	**(71,599)**	(66,357)
	(74,401)	(68,663)

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