

Huayu Expressway Group Limited

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1823

INTERIM REPORT

2017



Contents

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	8
Review Report of Interim Financial Report	12
Consolidated Statement of Profit or Loss	14
Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Changes in Equity	18
Condensed Consolidated Cash Flow Statement	19
Notes to the Unaudited Interim Financial Report	20

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian
Chu Kin Wang, Peleus
Hu Lie Ge

BOARD COMMITTEES

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

AUTHORISED REPRESENTATIVES

Chan Yeung Nam
Sin Ka Man

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House
3/F, 24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

PRINCIPAL BANKERS

China Merchants Bank
China Construction Bank Corporation

COMPANY WEBSITE

www.huayu.com.hk

STOCK CODE

1823

Management Discussion and Analysis

FINANCIAL REVIEW

REVENUE

For the six months ended 30 June 2017 (the “Period”), Huayu Expressway Group Limited (the “Company”, together with its subsidiaries, the “Group”) recorded revenue of approximately HK\$74.7 million, decreased by about 7.0% from the corresponding period last year of approximately HK\$80.3 million. The toll revenue received from the Sui-Yue Expressway (Hunan Section) (the “Expressway”) for the Period was about HK\$66.3 million, increased by 9.2% from about HK\$60.7 million of the corresponding period in 2016. For the Period, continuous improvement in the highway network system within the districts around the Expressway induced significant amount of traffic to the Expressway. The average traffic flow of the Expressway was about 554,000 vehicles per month and had a steady growth over the years.

In addition to the toll revenue, the Group also had approximately HK\$8.4 million of rental income from the leasing of the service area along the Expressway. The amount decreased from the corresponding period in 2016 was mainly because of the change of terms in the new rental arrangement.

COSTS AND GROSS PROFIT

Costs and gross profit of the Group were approximately HK\$26.7 million and HK\$48.1 million for the Period respectively as compared to the corresponding period last year of approximately HK\$36.0 million and HK\$44.3 million respectively. The costs incurred by the Group were mainly from the staff costs and the amortisation of the concession right of the Expressway. Due to the change of accounting estimate about the future traffic volume and the unit amortisation of the concession right in 2016, the corresponding amortisation of the concession right decreased during the Period. As a result, the costs of the Group decreased by approximately 26.0% and the gross profit for the Period increased by about 8.4% from the corresponding period last year.

OTHER REVENUE

Other revenue of the Group was approximately HK\$6,000 (2016: HK\$221,000) for the Period. It mainly represented the interest income generated from bank deposits.

OTHER NET INCOME

The Group recorded other net income of approximately HK\$847,000 (2016: HK\$357,000) for the Period. Other net income mainly represented the compensation received and exchange difference.

Management Discussion and Analysis

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group for the Period were approximately HK\$11.7 million, decreased by about 9.7% from approximately HK\$12.9 million for the corresponding period in 2016. The Group's administrative expenses incurred were mainly from salary and wages.

FINANCE COSTS

Finance costs of the Group for the Period were approximately HK\$28.8 million, decreased by about 16.1% from the corresponding period last year of approximately HK\$34.3 million. During the Period, the partial repayment of bank loan and the decrease in interest rate in the PRC contributed to the reduction of the finance costs.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The profit attributable to equity shareholders of the Company for the Period was approximately HK\$3.4 million. The loss attributable to equity shareholders of the Company was about HK\$4.1 million for the corresponding period in 2016. The profit for the Period was mainly due to the increase in the toll revenue and the substantial decrease in the cost of amortisation of the concession right of the Expressway during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group financed its operations and capital expenditures with internal resources of the Company, loans from the controlling shareholder and long term bank loans. As at 30 June 2017, total bank loans drawn by the Group amounted to about HK\$1,137.0 million (as at 31 December 2016: HK\$1,137.7 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to HK\$59.8 million (as at 31 December 2016: HK\$10.8 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 2017, total banking facilities of the Group amounted to HK\$1,267.4 million from China Merchants Bank, which were mainly for the settlement of the construction costs of the Expressway. The ratio of total outstanding bank loans to total equity was 72.77 (as at 31 December 2016: 134.53).

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

Management Discussion and Analysis

EMPLOYEES AND EMOLUMENTS

As at 30 June 2017, the Group employed a total of 255 (as at 31 December 2016: 272) employees in the PRC and Hong Kong, which included the management staff, engineers, technicians, etc. For the Period, the Group's total expenses on the remuneration of employees were approximately HK\$10.0 million (2016: HK\$9.0 million).

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

FOREIGN EXCHANGE RISK

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

As at 30 June 2017, 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 arises.

PLEDGE OF ASSETS

As at 30 June 2017, the bank loans of HK\$1,137.0 million from China Merchants Bank were secured by a pledge of the toll collection right in relation to the Expressway.

BUSINESS REVIEW

SUI-YUE EXPRESSWAY (HUNAN SECTION)

Due to the improvement in the highway network system in the districts along the Expressway, there was a significant increase in the traffic flow in the Expressway during the Period, from about 456,000 vehicles per month for the six months ended 30 June 2016 to about 554,000 vehicles per month for the Period. As a result, the total toll revenue recorded an increase of about 9.2% to approximately HK\$66.3 million for the Period.

However, the continuous specific traffic restrictions in Hunan Province imposed on vehicles, including higher toll rate to be imposed against the truck on the overweight load and higher penalty against traffic violations, adversely affected our average toll per vehicle under the toll-by-weight charging system. Moreover, the new traffic flow induced by the Hang-ruì Expressway Hunan Section was mainly passenger cars whose toll per vehicle were lower than that of the goods vehicle.

Management Discussion and Analysis

The average toll revenue per vehicle decreased from about HK\$22.2 for the six months ended 30 June 2016 to about HK\$19.9 for the Period. Irrespective of the above, the management are confident with the prospect of the Expressway with the continuous growth in the traffic flow.

In addition, the rental income from the service area along the Expressway contributed a significant amount to the turnover of the Group.

PROSPECT

The Expressway is one of the expressways with high economic potential in the PRC. It is strategically located in Hunan Province, which is one of the high economic growth provinces in the PRC. Also, the Expressway will be an integral part of the major artery between Hunan Province and Hubei Province. With the new connection to the adjacent expressways in the coming years, the management of the Company are confident of the prospect of the Expressway.

In addition, the Hang-Rui Expressway Hunan Section “杭瑞高速(湖南段)”, which opened to traffic in late 2016, connected the Expressway to the whole expressway network of Hunan province and induced new traffic to the Expressway. Moreover, the Yue-Wang Expressway “岳望高速” which is expected to open to traffic by the end of 2017, is the southern extension of the Expressway and will complete the whole vertical transport corridor in Hunan Province to bring new long-distance traffic on the Expressway. It is also expected that both of the new adjacent expressways aforesaid will introduce significant positive impact to the Expressway in the coming few years.

As the Directors are experienced in completing other PRC toll-expressway projects successfully and have the established networking and reputation 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 addition, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, we may also consider acquiring abandoned or partial-completed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so. Furthermore, the Group will also consider extending its operation to include some other prosperous business, once favourable opportunity appears.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares for the Period.

Management Discussion and Analysis

CORPORATE GOVERNANCE

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

EXTRACT OF INDEPENDENT REVIEW REPORT

The interim financial report for the Period ended 30 June 2017 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 Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

KPMG expressed an unmodified conclusion with an emphasis of matter paragraph in its report. An extract of KPMG’s conclusion is set out below:

“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 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which indicates that the Group had net current liabilities of HK\$93,512,000 and accumulated losses of HK\$669,964,000 as of 30 June 2017. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group’s bankers and the controlling shareholder, and the Group’s ability to generate sufficient cash flows from future operations to cover the Group’s operating costs and to meet its financing commitments. These conditions, along with other matters as set forth in note 1 to the interim financial report, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.”

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

This report is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huayu.com.hk), and the 2017 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

Corporate Governance and Other Information

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

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors (the "Model Code") contained in the Rules of Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of Directors	Nature of Interest	Number of Shares	Percentage
Mr. Chan Yeung Nam (Note)	Interest of controlled corporation	300,000,000	72.71%

Note: Mr. Chan Yeung Nam, an executive Director and chairman of the board of the Directors, is deemed to be interested in 300,000,000 shares of the Company held by Velocity International Limited by virtue of it being wholly-owned by him.

Apart from the foregoing, as at 30 June 2017, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Corporate Governance and Other Information

SHARE OPTION SCHEME

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

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

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

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

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

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

The total number of Shares available for issue under the Share Option Scheme is 40,000,000, representing approximately 9.69% and 9.69% of the Company’s issued share capital as at the date of the Company’s 2016 annual report and as at the date of this interim report, respectively.

Corporate Governance and Other Information

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

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

As at 30 June 2017, so far as is known to any Directors or chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% or more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

<u>Name of shareholders</u>	<u>Capacity/Nature of Interest</u>	<u>Long position in ordinary Shares held</u>	<u>Percentage of total issued shares</u>
Velocity International Limited (Note 1)	Beneficial owner	300,000,000	72.71%

Notes:

- 1 The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive Director and chairman of the Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares for the Period.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) which is accountable to the Board and the primary duties of which include the reviewing and supervising of the Group’s financial reporting process and internal control measures. The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Sun Xiao Nian and Mr. Hu Lie Ge. Mr. Chu Kin Wang, Peleus is the chairman of the Audit Committee. The chairman of the Audit Committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The Audit Committee has met and discussed with the external auditors of the Company, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the unaudited results of the Group for the Period. The Audit Committee considered that the unaudited consolidated results of the Group for the Period are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

REVIEW OF THE INTERIM REPORT

This interim financial report for the Period has not been audited, but has been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the external auditors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Model Code as its own code of conduct for securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code adopted by the Company throughout the Period.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to 30 June 2017 up to the date of this interim financial report.

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

Hong Kong, 31 August 2017

Review Report of Interim Financial Report



Review report to the board of directors of Huayu Expressway Group Limited

(Incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 32 which comprises the consolidated statement of financial position of Huayu Expressway Group Limited (“the Company”) and its subsidiaries (together “the Group”) as of 30 June 2017 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 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

Review Report of Interim Financial Report

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our conclusion, we draw attention to note 1 to the interim financial report which indicates that the Group had net current liabilities of HK\$93,512,000 and accumulated losses of HK\$669,964,000 as of 30 June 2017. As explained in note 1 to the interim financial report, the interim financial report has been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and the controlling shareholder, and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. These conditions, along with other matters as set forth in note 1 to the interim financial report, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

31 August 2017

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017 – unaudited

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Revenue	3	74,711	80,332
Cost of sales		(26,652)	(36,011)
Gross profit		48,059	44,321
Other revenue	4	6	221
Other net income	4	847	357
Administrative expenses		(11,696)	(12,948)
Profit from operations		37,216	31,951
Finance costs	5(a)	(28,794)	(34,339)
Profit/(loss) before taxation	5	8,422	(2,388)
Income tax	6	(4,132)	(1,597)
Profit/(loss) for the period		4,290	(3,985)
Attributable to:			
Equity shareholders of the Company		3,392	(4,132)
Non-controlling interests		898	147
Profit/(loss) for the period		4,290	(3,985)
Earnings/(loss) per share (HK Cents)			
Basic and diluted	7	0.82	(1.00)

The notes on pages 20 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 2017 – unaudited

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Profit/(loss) for the period	4,290	(3,985)
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	2,879	(1,835)
Total comprehensive income for the period	7,169	(5,820)
Attributable to:		
Equity shareholders of the Company	5,990	(5,787)
Non-controlling interests	1,179	(33)
Total comprehensive income for the period	7,169	(5,820)

The notes on pages 20 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2017 – unaudited

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Non-current assets			
Property, plant and equipment	8	14,548	14,068
Intangible asset – service concession arrangement	9	1,345,295	1,269,848
Deferred tax assets		121,864	122,319
Other non-current asset	10	3,090	–
		1,484,797	1,406,235
Current assets			
Trade and other receivables	10	19,149	6,039
Cash and cash equivalents	11	59,786	10,806
		78,935	16,845
Current liabilities			
Accruals and other payables	12	95,444	61,119
Bank loan	13	77,003	69,121
		172,447	130,240
Net current liabilities		(93,512)	(113,395)
Total assets less current liabilities		1,391,285	1,292,840
Non-current liabilities			
Bank loan	13	1,060,024	1,068,618
Amount due to the controlling shareholder of the Company	16(c)	115,678	109,028
Amount due to a related company	16(c)	199,957	106,737
		1,375,659	1,284,383
NET ASSETS		15,626	8,457

The notes on pages 20 to 32 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2017 – unaudited

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
CAPITAL AND RESERVES	14		
Share capital		4,126	4,126
Reserves		1,662	(4,328)
Total equity attributable to equity shareholders of the Company		5,788	(202)
Non-controlling interests		9,838	8,659
TOTAL EQUITY		15,626	8,457

Approved and authorised for issue by the board of directors on 31 August 2017.

Chan Yeung Nam
Director

Mai Qing Quan
Director

The notes on pages 20 to 32 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2017 – unaudited

	Attributable to equity shareholders of the Company						Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Exchange reserve	Accumulated losses	Total		
	Note 14(a) HK\$'000	Note 14(b)(i) HK\$'000	Note 14(b)(ii) HK\$'000	Note 14(b)(iii) HK\$'000	HK\$'000	HK\$'000		
Balance at 1 January 2016	4,126	130,044	502,784	41,554	(662,879)	15,629	8,974	24,603
Changes in equity for the six months ended 30 June 2016:								
(Loss)/profit for the period	-	-	-	-	(4,132)	(4,132)	147	(3,985)
Other comprehensive income	-	-	-	(1,655)	-	(1,655)	(180)	(1,835)
Total comprehensive income	-	-	-	(1,655)	(4,132)	(5,787)	(33)	(5,820)
Balance at 30 June 2016 and 1 July 2016	4,126	130,044	502,784	39,899	(667,011)	9,842	8,941	18,783
Changes in equity for the six months ended 31 December 2016:								
(Loss)/profit for the period	-	-	-	-	(6,345)	(6,345)	119	(6,226)
Other comprehensive income	-	-	-	(3,699)	-	(3,699)	(401)	(4,100)
Total comprehensive income	-	-	-	(3,699)	(6,345)	(10,044)	(282)	(10,326)
Balance at 31 December 2016	4,126	130,044	502,784	36,200	(673,356)	(202)	8,659	8,457
Balance at 1 January 2017	4,126	130,044	502,784	36,200	(673,356)	(202)	8,659	8,457
Changes in equity for the six months ended 30 June 2017:								
Profit for the period	-	-	-	-	3,392	3,392	898	4,290
Other comprehensive income	-	-	-	2,598	-	2,598	281	2,879
Total comprehensive income	-	-	-	2,598	3,392	5,990	1,179	7,169
Balance at 30 June 2017	4,126	130,044	502,784	38,798	(669,964)	5,788	9,838	15,626

The notes on pages 20 to 32 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2017 – unaudited

	Note	Six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
Operating activities			
Cash generated from operations		43,802	30,095
Tax paid		–	–
Net cash generated from operating activities		43,802	30,095
Investing activities			
Payment for the purchase of fixed assets		(383)	–
Payment for intangible assets		(26,621)	(27,869)
Other cash flows arising from investing activities		6	16
Net cash used in investing activities		(26,998)	(27,853)
Financing activities			
Repayment of bank loan		(34,976)	(631,652)
Advances from the controlling shareholder of the Company		6,650	4,000
Advances from a related company		88,249	64,320
Borrowing costs paid		(28,794)	(44,744)
Proceeds of bank borrowings		–	589,780
Decrease in restricted cash		–	14,377
Net cash generated from/(used in) financing activities		31,129	(3,919)
Net increase/(decrease) in cash and cash equivalents		47,933	(1,677)
Cash and cash equivalents at 1 January		10,806	9,120
Effect of foreign exchange rate changes		1,047	(37)
Cash and cash equivalents at 30 June	11	59,786	7,406

The notes on pages 20 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 31 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any 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 2016 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 12 to 13.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Company's registered office. In the auditors' report dated 30 March 2017, the auditors expressed an unqualified opinion on those financial statements but included an emphasis of matter paragraph drawing attention to conditions which indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

As of 30 June 2017, the Group had net current liabilities of \$93,512,000 and accumulated losses of \$669,964,000. The Group is dependent upon the financial support from its bankers, its controlling shareholder, and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. These conditions continue to indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PREPARATION (CONTINUED)

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

- i the Group expects to generate positive operating cash flows for the next twelve months;
- ii the controlling shareholder of the Company has undertaken that repayment of advances of \$115,678,000 and advance from a related party of \$199,957,000 at 30 June 2017 will not be requested until after 31 December 2018 and only if the Group has obtained funding from other sources and is in a position to meet all repayment obligations at that time; and
- iii the controlling shareholder confirms its intention to provide adequate financial support to the Group as is necessary to ensure the Group's continuing operation for a period of at least 12 months from the end of the reporting period. In this regard, a related company under the control of the controlling shareholder has advanced RMB33,000,000 to the Group in August 2017. The controlling shareholder has undertaken that repayment of this advance will not be requested until the Group has obtained funding from other sources and is in position to meet all repayment obligations.

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

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has 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 interim financial report.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 REVENUE

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

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

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Toll income	66,303	60,691
Rental revenue	8,408	19,641
	74,711	80,332

4 OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Other revenue		
Billboard rental income	–	205
Interest income from bank deposits	6	16
	6	221
Other net income		
Net foreign exchange gain/(loss)	837	(471)
Others	10	828
	847	357

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	
	2017 HK\$'000	2016 HK\$'000
(a) Finance costs:		
Interest on bank loans	28,794	34,339
(b) Staff costs:		
Salaries, wages and other benefits	8,537	7,305
Contributions to defined contribution retirement plans	1,497	1,700
	10,034	9,005
(b) Other items:		
Depreciation	1,395	2,909
Amortisation	16,280	24,579
Operating lease charges in respect of rental of office premises	587	107

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Deferred tax		
Origination and reversal of temporary differences	(4,132)	(1,597)

- (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 2017 and 2016.
- (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% (2016: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the subsidiary utilised its accumulated tax losses carried from previous years.

7 EARNINGS/(LOSS) PER SHARE

(A) EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company for the period of \$3,392,000 (six months ended 30 June 2016: loss of \$4,132,000) and the weighted average number of 412,608,000 (2016: 412,608,000) shares in issue during the interim period.

(B) DILUTED EARNINGS/(LOSS) PER SHARE

There were no dilutive potential ordinary shares for the six months ended 30 June 2017 and 2016, therefore, diluted earnings/(loss) per share is equivalent to basic earnings/(loss) per share.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of equipment with a cost of \$1,394,000 (six months ended 30 June 2016: Nil). No item was disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017 HK\$'000	At 31 December 2016 HK\$'000
Cost:		
At 1 January	2,106,716	2,234,444
Additions	52,105	14,619
Exchange adjustments	65,597	(142,347)
At 30 June/31 December	2,224,418	2,106,716
Accumulated amortisation:		
At 1 January	164,290	150,114
Charge for the period/year	16,280	24,774
Exchange adjustments	5,340	(10,598)
At 30 June/31 December	185,910	164,290
Accumulated impairment loss:		
At 1 January	672,578	718,122
Exchange adjustments	20,635	(45,544)
At 30 June/31 December	693,213	672,578
Net book value:		
At 30 June/31 December	1,345,295	1,269,848

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

The amortisation of intangible asset – service concession arrangement is recognised in statement of 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

9 INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT (CONTINUED)

IMPAIRMENT LOSS

The recoverable amount of the cash generating unit containing 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 2016 are average annual toll revenue growth rate over the concession period of 6.3%, and pre-tax discount rate of 17.9%.

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

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

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 month	12,002	4,427
Over 1 month	8,771	–
Less: Other non-current asset	(3,090)	–
Trade receivables	17,683	4,427
Prepayments	580	770
Other receivables	886	842
	19,149	6,039

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 CASH AND CASH EQUIVALENTS

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Cash at bank and on hand	59,786	10,806

12 ACCRUALS AND OTHER PAYABLES

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Construction payables	73,510	47,179
Advances received	9,872	–
Accruals	12,062	13,940
	95,444	61,119

Included in accruals and other payables as at 30 June 2017 are contract retention deposits payable to independent contractors of \$16,100,000 (2016: \$20,849,000), construction fees payables of \$57,410,000 (2016: \$26,330,000) and advances received of \$9,872,000 (2016: Nil). At 30 June 2017, all of the accruals and other payables are expected to be settled or recognised as income within one year (2016: all of the accruals and other payables are expected to be settled or recognised as income within one year).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

13 BANK LOAN

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
<i>Current liabilities</i>		
Current portion of a long-term secured bank loan	77,003	69,121
<i>Non-current liabilities</i>		
Long-term secured bank loan	1,060,024	1,068,618
	1,137,027	1,137,739

At 30 June 2017 and 31 December 2016, the bank loan was repayable as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 year or on demand	77,003	69,121
After 1 year but within 2 years	74,893	73,687
After 2 years but within 5 years	293,811	268,296
After 5 years	691,320	726,635
	1,137,027	1,137,739

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

The bank loan is subject to certain covenants and the Group's PRC subsidiary, Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue"), is required to obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years until 2027. The Group regularly monitors its compliance with these covenants, and adheres to the timetable of the scheduled repayments of the term loans. As at 30 June 2017, none of the covenants relating to drawn down facilities had been breached (2016: Nil).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS

(A) SHARE CAPITAL

	2017		2016	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	412,608,000	4,126	412,608,000	4,126
At 30 June 2017/31 December 2016	412,608,000	4,126	412,608,000	4,126

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

(B) RESERVES

(i) Share premium

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

(ii) Other reserve

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(B) RESERVES (CONTINUED)

(iii) Exchange reserve

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

(C) DIVIDENDS

The Board resolved not to declare the payment of interim dividend for the six months ended 30 June 2017 (2016: Nil).

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

At 30 June 2017, the Group had no capital commitments outstanding not provided for in the interim financial report (31 December 2016: Nil).

16 MATERIAL RELATED PARTY TRANSACTIONS

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

(A) DURING THE PERIOD, THE DIRECTORS ARE OF THE VIEW THAT THE FOLLOWING INDIVIDUAL AND COMPANIES ARE RELATED PARTIES OF THE GROUP:

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

16 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Expense paid on behalf of the Group by Shenzhen Huayu Investment & Development (Group) Co., Ltd.	72	72
Advance from Shenzhen Huayu Investment & Development (Group) Co., Ltd.	178,761	63,183
Repayment to Shenzhen Huayu Investment & Development (Group) Co., Ltd.	90,512	–
Advance from the controlling shareholder of the Company	6,650	4,000

(C) BALANCES WITH RELATED PARTIES

As at 30 June 2017 and 31 December 2016, the Group had the following balances with related parties:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Amount due to Shenzhen Huayu Investment & Development (Group) Co., Ltd.	199,957	106,737
Amount due to the controlling shareholder of the Company	115,678	109,028
	315,635	215,765

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The amendments and new standards include the following which may be relevant to the Group:

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 7, <i>Statement of cash flows: Disclosure initiative</i>	1 January 2017
Amendments to HKAS 12, <i>Income taxes: Recognition of deferred tax assets for unrealised losses</i>	1 January 2017
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to HKFRS 2, <i>Share-based payment: Classification and measurement of share-based payment transactions</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 consolidated financial statements.