

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2011**

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT**

The directors submit their report together with the audited consolidated financial statements of Yue Xiu Enterprises (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2011.

#### **Principal activities**

The principal activities of the Company are investment and property holding. The principal activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 45, 46 and 47 respectively to the consolidated financial statements.

#### **Results and appropriations**

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 5.

The directors do not recommend the payment of a dividend.

#### **Reserves**

Movements in the reserves of the Group during the years are set out in the consolidated statement of changes in equity on pages 13 and 14.

#### **Property, plant and equipment**

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 16 to the consolidated financial statements.

#### **Donations**

Charitable and other donations made by the Group during the year amounted to approximately HK\$4,110,000 (2010: HK\$9,202,000).

#### **Share capital**

Details of share capital of the Company are set out in note 27 to the consolidated financial statements.

#### **Directors**

The directors during the year and up to the date of this report were:

Mr. Lu Zhifeng  
Mr. Zhang Zhaoxing  
Mr. Liang Ningguang  
Mr. Liang Yi  
Ms. Zhou Siyuan (Appointed on 16 February 2011)  
Mr. Li Xinchun  
Mr. He Zhifeng  
Mr. Zhou Qianding

In accordance with Article 89 of the Company's Articles of Association, all present directors retire from office and, being eligible, offer themselves for re-election.

**Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

**Directors' interests**

Except for those transaction disclosed in note 42, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, fellow subsidiaries, related companies or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its subsidiaries, fellow subsidiaries, related companies or its parent company 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.

**Auditor**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the board



Chairman

Hong Kong, 16 April 2012

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF YUE XIU ENTERPRISES (HOLDINGS) LIMITED**  
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Yue Xiu Enterprises (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 5 to 104, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF YUE XIU ENTERPRISES (HOLDINGS) LIMITED  
(CONTINUED)**  
(incorporated in Hong Kong with limited liability)

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

A handwritten signature in dark ink, appearing to read "PricewaterhouseCoopers", written over the printed name.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 16 April 2012

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations</b>			
Revenue	5	2,063,786	1,673,359
Cost of sales	8	(954,396)	(725,371)
Gross profit		1,109,390	947,988
Other gains/(losses), net	6	123,430	(28,785)
Other income	7	13,646	18,697
General and administrative expenses	8	(343,482)	(294,723)
Selling and distribution expenses	8	(589)	(502)
Loss on disposal of toll roads		-	(103,698)
Negative goodwill arising from additional interest acquired in an associate	21	77,018	45,620
Operating profit		979,413	584,597
Finance income	9	31,503	47,945
Finance costs	10	(329,462)	(148,938)
Share of profits less losses of			
- jointly controlled entities	20	20,815	19,687
- associates	21	3,191,775	697,947
Profit before income tax		3,894,044	1,201,238
Income tax expense	11	(138,273)	(114,179)
Profit for the year from continuing operations		3,755,771	1,087,059
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	40	(222,488)	(608,079)
Profit for the year		3,533,283	478,980
Profit attributable to:			
Owners of the parent		3,108,901	1,006,890
Non-controlling interests		424,382	(527,910)
		3,533,283	478,980

The notes on pages 15 to 104 are an integral part of these consolidated financial statements.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 HK\$'000	2010 HK\$'000
Comprehensive income:		
Profit for the year	3,533,283	478,980
Other comprehensive income:		
Currency translation differences	1,038,139	649,460
Share of other comprehensive income of:		
- jointly controlled entities	-	14,077
- associates	(250,121)	(32,965)
Release of other comprehensive income upon disposal of:		
- subsidiaries	(32,422)	(34,744)
- jointly controlled entities	-	(40,000)
Available-for-sale financial assets		
- changes in fair value	(10,909)	1,259
- deferred tax on fair value loss/(gain) of available-for-sale financial assets	2,673	(343)
- impairment losses removed from equity and recognised in the consolidated statement of comprehensive income	-	5,671
	747,360	562,415
Total comprehensive income for the year	4,280,643	1,041,395
Attributable to:		
Owners of the parent	3,549,806	1,391,346
Non-controlling interests	730,837	(349,951)
Total comprehensive income for the year	4,280,643	1,041,395

The notes on pages 15 to 104 are an integral part of these consolidated financial statements.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	15	14,261,321	9,907,921
Property, plant and equipment	16	740,901	267,909
Investment properties	17	145,069	134,615
Leasehold land and land use rights	18	-	3,520
Interests in jointly controlled entities	20	400,192	360,770
Investments in associates	21	15,404,467	11,995,997
Available-for-sale financial assets	22	172,844	175,326
Derivative financial instrument		4,294	10,736
Trade and other receivables	24	181,915	296,531
Deferred income tax assets	30	2,590	6,925
		<u>31,313,593</u>	<u>23,160,250</u>
<b>Current assets</b>			
Inventories	23	-	111,105
Amounts due from associates	42	632,984	205,860
Amounts due from related companies	42	229,580	228,635
Amount due from a non-controlling interest	32	-	29,297
Trade receivables, prepayments, deposits and other receivables	24	1,170,204	2,520,747
Financial assets at fair value through profit or loss	25	21,775	17,499
Current income tax recoverable		-	4,307
Pledged bank balances and deposits	26	14,349	5,498
Client trust bank balances	26	94,957	71,389
Cash and cash equivalents	26	3,498,580	3,388,601
		<u>5,662,429</u>	<u>6,582,938</u>
<b>Total assets</b>		<u><u>36,976,022</u></u>	<u><u>29,743,188</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	27	70,000	70,000
Other reserves	28	14,818,746	11,294,883
		<u>14,888,746</u>	<u>11,364,883</u>
Non-controlling interests		6,916,498	6,362,306
<b>Total equity</b>		<u><u>21,805,244</u></u>	<u><u>17,727,189</u></u>

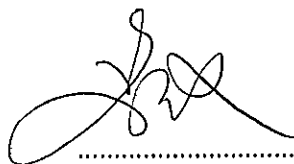


**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

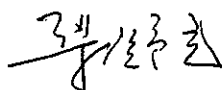
**CONSOLIDATED BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	29	10,712,606	4,345,240
Deferred income tax liabilities	30	1,983,833	1,831,991
		<u>12,696,439</u>	<u>6,177,231</u>
<b>Current liabilities</b>			
Trade and bill payables	31	187,798	214,600
Other payables and accruals		688,021	430,381
Amount due to a jointly controlled entity	42	21,586	446
Amounts due to associates	42	73,427	73,439
Amounts due to related companies	42	304,585	430,882
Amounts due to non-controlling interests	32	228,539	910,955
Current income tax liabilities		63,452	62,685
Borrowings	29	906,931	3,715,380
		<u>2,474,339</u>	<u>5,838,768</u>
<b>Total liabilities</b>		<u>15,170,778</u>	<u>12,015,999</u>
<b>Total equity and liabilities</b>		<u>36,976,022</u>	<u>29,743,188</u>

On behalf of the board



Director



Director

The notes on pages 15 to 104 are an integral part of these consolidated financial statements.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2011**

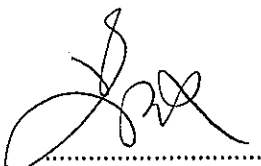
	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	21,463	19,029
Investment properties	17	80,160	84,750
Investments in subsidiaries	19	500,279	569,186
Investments in associates	21	84	84
Other receivables	24	-	5,731
		<u>601,986</u>	<u>678,780</u>
<b>Current assets</b>			
Amounts due from subsidiaries	42	5,316,133	5,483,622
Amounts due from associates	42	604,499	119,751
Amounts due from related companies	42	141,474	141,944
Deposits and other receivables	24	9,006	142,765
Pledged bank balances and deposits	26	8,875	28
Cash and cash equivalents	26	1,706,454	515,041
		<u>7,786,441</u>	<u>6,403,151</u>
<b>Total assets</b>		<u><u>8,388,427</u></u>	<u><u>7,081,931</u></u>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	27	70,000	70,000
Other reserves	28	143,247	(7,277)
<b>Total equity</b>		<u>213,247</u>	<u>62,723</u>

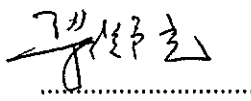
**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**BALANCE SHEET (CONTINUED)  
AS AT 31 DECEMBER 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	29	6,067,651	2,615,776
<b>Current liabilities</b>			
Other payables and accruals		237,751	212,269
Amounts due to subsidiaries	42	1,390,443	729,822
Amounts due to associates	42	1,995	1,995
Amounts due to related companies	42	293,312	417,290
Current income tax liabilities		14,961	14,961
Borrowings	29	169,067	3,027,095
		<u>2,107,529</u>	<u>4,403,432</u>
<b>Total liabilities</b>		<u>8,175,180</u>	<u>7,019,208</u>
<b>Total equity and liabilities</b>		<u>8,388,427</u>	<u>7,081,931</u>

On behalf of the board

  
.....  
Director

  
.....  
Director

The notes on pages 15 to 104 are an integral part of these consolidated financial statements.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	33	1,573,590	1,530,598
Interest received		31,503	47,945
Interest paid		(329,462)	(148,938)
Hong Kong profits tax refunded/(paid)		4,307	(1,536)
Overseas profits tax paid		(187,514)	(117,239)
Net cash generated from operating activities		<u>1,092,424</u>	<u>1,310,830</u>
<b>Cash flows from investing activities</b>			
Dividends received from associates		555,236	302,625
Dividends received from available-for-sale financial assets		5,557	24,945
Dividends received from financial assets at fair value through profit or loss		768	1,055
Additional acquisition of an associate arising from rights issue		-	(300,768)
Additional acquisition of an associate		(283,659)	-
Additional capital paid to an associate		-	(1,644,444)
Proceeds from disposal of associates		-	122
Purchases of property, plant and equipment		(589,277)	(81,244)
Purchases of investment properties		(42,772)	-
Purchases of financial assets at fair value through profit or loss		(12,179)	-
Proceeds from disposals of leasehold land and land use rights and property, plant and equipment		13,510	226,086
Proceeds from disposals of investment properties		49,919	2,320
Payment of cash consideration on acquisition of a subsidiary in 2010	39(b)	(904,849)	-
Purchases of intangible assets		(383,460)	(111,292)
Acquisition of subsidiaries, net of cash acquired	39	(981,544)	(875,041)
Payments for acquiring additional interest in a subsidiary		(66,611)	-
Disposal of subsidiaries, net of cash disposed of		(125,718)	(651,058)
Proceeds from disposals of jointly controlled entities	40(c)	1,019,775	110,398
Proceeds from disposals of financial assets at fair value through profit or loss		-	13,570
Proceeds from disposals of available-for-sale financial assets		-	3,216
Payment to associates		(427,136)	(62,699)
Purchases of available-for-sale financial assets		-	(31)
Dividends paid to non-controlling interests		(364,366)	(297,740)
Net cash used in investing activities		<u>(2,536,806)</u>	<u>(3,339,980)</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 HK\$'000	2010 HK\$'000
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		3,658,894	2,450,000
Proceeds from notes issuance		988,300	-
Repayment of bank borrowings		(3,484,720)	(850,533)
Pledged bank balances and deposits		(8,851)	217,376
Proceeds of loan from a jointly controlled entity		21,140	-
(Payment to)/proceeds from related companies		(123,326)	45,714
Proceeds from non-controlling interests		194,074	852,633
Capital contribution from non-controlling interest		103,356	-
Proceeds from/(repayment of) loans from non-controlling interests		114,080	(199,323)
Net cash generated from financing activities		<u>1,462,947</u>	<u>2,515,867</u>
<b>Net increase in cash and cash equivalents</b>		18,565	486,717
Effect of changes in foreign exchange rates		91,414	25,068
Cash and cash equivalents at 1 January		<u>3,388,601</u>	<u>2,876,816</u>
<b>Cash and cash equivalents at 31 December</b>		<u>3,498,580</u>	<u>3,388,601</u>
<b>Analysis of balances of cash and cash equivalents:</b>			
Bank balances and cash	26	<u>3,498,580</u>	<u>3,388,601</u>

The notes on pages 15 to 104 are an integral part of these consolidated financial statements.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Attributable to owners of the parent		Non- controlling interests	Total
	Share capital HK\$'000	Other reserves HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	70,000	11,294,883	6,362,306	17,727,189
Comprehensive income:				
Profit for the year	-	3,108,901	424,382	3,533,283
Other comprehensive income:				
Currency translation differences	-	728,524	309,615	1,038,139
Share of other comprehensive income of associates	-	(250,121)	-	(250,121)
Release upon disposal of a subsidiary	-	(32,422)	-	(32,422)
Available-for-sale financial assets				
- changes in fair value	-	(6,695)	(4,214)	(10,909)
- deferred tax on fair value gain of available-for-sale financial assets	-	1,619	1,054	2,673
	-	440,905	306,455	747,360
Total comprehensive income	-	3,549,806	730,837	4,280,643
Transactions with owners:				
Non-controlling interests arising on business combination	-	-	125,532	125,532
Capital contribution from non- controlling interests	-	-	103,356	103,356
Changes in ownership interests in a subsidiary	-	(25,943)	(40,668)	(66,611)
Disposal of a subsidiary	-	-	(499)	(499)
Dividends to non-controlling interests	-	-	(364,366)	(364,366)
	-	(25,943)	(176,645)	(202,588)
At 31 December 2011	70,000	14,818,746	6,916,498	21,805,244

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Attributable to owners of the parent		Non- controlling interests	Total
	Share capital HK\$'000	Other reserves HK\$'000	HK\$'000	HK\$'000
At 1 January 2010	70,000	9,903,537	6,280,968	16,254,505
Comprehensive income:				
Profit/(loss) for the year	-	1,006,890	(527,910)	478,980
Other comprehensive income:				
Currency translation differences	-	471,906	177,554	649,460
Share of other comprehensive income of:				
- jointly controlled entities	-	14,077	-	14,077
- associates	-	(32,965)	-	(32,965)
Release upon disposals of:				
- subsidiaries	-	(34,744)	-	(34,744)
- jointly controlled entities	-	(40,000)	-	(40,000)
Available-for-sale financial assets				
- changes in fair value	-	719	540	1,259
- deferred tax on fair value gain of available-for-sale financial assets	-	(208)	(135)	(343)
- impairment losses removed from equity and recognised in the consolidated statement of comprehensive income	-	5,671	-	5,671
	-	384,456	177,959	562,415
Total comprehensive income	-	1,391,346	(349,951)	1,041,395
Transactions with owners:				
Acquisition of subsidiaries	-	-	83,740	83,740
Disposal of subsidiaries	-	-	(95,600)	(95,600)
Dividends to non-controlling interests	-	-	(297,740)	(297,740)
Dilution gains upon capital injection from a non-controlling interest	-	-	740,889	740,889
	-	-	431,289	431,289
At 31 December 2010	70,000	11,294,883	6,362,306	17,727,189

The notes on pages 15 to 104 are an integral part of these consolidated financial statements.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 General information

Yue Xiu Enterprises (Holdings) Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the property holding, provision of financial services, stock brokerage services, tunnel management, hotel and travel agency services, investment in and development, operation and management of toll highways, expressway and bridges mainly in Guangdong Province and other high-growth provinces in Mainland China and other investment holdings in places mainly within Hong Kong and Mainland China (“China”).

The Company is a limited liability company incorporated in Hong Kong and its registered office is 26/F, Yue Xiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 April 2012.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

- (a) Standards and amendments to existing standards which are effective in 2011 and relevant to the Group’s operations:

		Effective for accounting periods beginning on or after
HKAS 24 (Revised)	Related Parties Disclosures	1 January 2011
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011

HKICPA’s annual improvements to certain HKFRS published in May 2010

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

- (a) Standards and amendments to existing standards which are effective in 2011 and relevant to the Group's operations: (Continued)

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the consolidated financial statements.

- (b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group, which are relevant to the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Transfer of Financial Assets	1 July 2011
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 (Amendment)	Financial Instruments: Disclosures - Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

The Group is in the process of assessing the impact of adoption of these standards and amendments to existing standards and the Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.2 Consolidation**

###### **2.2.1 Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

###### **(a) Business combination**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.2 Consolidation (Continued)**

###### **2.2.1 Subsidiaries (Continued)**

###### **(b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

###### **(c) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

###### **(d) Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.2 Consolidation (Continued)**

###### **2.2.2 Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

###### **2.2.3 Jointly controlled entities**

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in jointly controlled entities includes goodwill identified on acquisition.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.2 Consolidation (Continued)**

###### **2.2.3 Jointly controlled entities (Continued)**

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the jointly controlled entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises the amount adjacent to 'share of profits less losses of jointly controlled entities' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its jointly controlled entities are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the jointly controlled entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in interests in jointly controlled entities are recognised in the consolidated income statement.

##### **2.3 Foreign currency translation**

###### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's and Group's presentation currency.

###### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains/(losses), net'.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.3 Foreign currency translation (Continued)**

###### **(b) Transactions and balances (Continued)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated statement of comprehensive income, and other changes in carrying amount are recognised other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

###### **(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the end of that reporting period;
- (ii) income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

###### **(d) Disposal of foreign operation and partial disposal**

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.3 Foreign currency translation (Continued)**

###### **(d) Disposal of foreign operation and partial disposal (Continued)**

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

##### **2.4 Intangible assets**

###### **(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

###### **(b) Trademark**

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 4 to 10 years.

###### **(c) Operating rights**

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for periods of 20 to 36 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

## YUE XIU ENTERPRISES (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 2 Summary of significant accounting policies (Continued)

##### 2.4 Intangible assets (Continued)

###### (c) Operating rights (Continued)

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services and are recorded in the consolidated balance sheet as 'intangible assets'.

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

##### 2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	25 to 50 years or over the lease term, whichever is shorter
Plant, machinery and tools	3 to 20 years
Office equipment, furniture and fixtures	3 to 10 years
Motor vehicles	3 to 5 years

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.



## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.5 Property, plant and equipment (Continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

##### **2.6 Investment properties**

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by independent valuers. Changes in fair values are recorded in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated statement of comprehensive income to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to consolidated income statement.

##### **2.7 Leasehold land and land use rights**

Leasehold land and land use rights represent prepaid lease payments for such use and are amortised over the lease period on a straight-line basis, or when there is impairment, it is expensed in the consolidated income statement immediately.

##### **2.8 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.9 Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

##### **2.10 Financial assets**

###### **2.10.1 Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

###### **(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise. They are classified as non-current.

###### **(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'amounts due from associates, related companies and a non-controlling interest', 'trade and other receivables' and 'cash and bank balances' in the balance sheet (Notes 2.14 and 2.15).

###### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

###### **2.10.2 Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.10 Financial assets (Continued)**

###### **2.10.2 Recognition and measurement (Continued)**

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other losses, net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of revenue when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in consolidated income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

##### **2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### **2.12 Impairment of financial assets**

###### **(a) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.12 Impairment of financial assets (Continued)**

###### **(a) Assets carried at amortised cost (Continued)**

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

###### **(b) Assets classified as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

##### **2.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

##### **2.14 Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.15 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

##### **2.16 Client trust bank balances**

The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the balance sheet and recognised a corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies.

##### **2.17 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### **2.18 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

##### **2.19 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.20 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

##### **2.21 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

###### **(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

###### **(b) Deferred income tax**

###### **(i) Inside basis differences**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### **(ii) Outside basis differences**

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.21 Current and deferred income tax (Continued)**

###### **(c) Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### **2.22 Employee benefits**

###### **(a) Pension obligations**

The Group participates in various defined contribution plans under which the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

###### **(b) Share-based compensation**

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transactions costs.

###### **(c) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.22 Employee benefits (Continued)**

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

##### **2.23 Provisions**

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

##### **2.24 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised as follows:

- (i) Revenue from provision of management services, tunnel management services, hotel services, travel agency services, securities broking services and insurance management and agency services are recognised when the services are rendered.
- (ii) Revenue from toll is recognised on a receipt basis.



## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.24 Revenue recognition (Continued)**

- (iii) Construction income generated from construction and upgrade services rendering by the Group is recognised under the percentage of completion method. The stage of completion is measured on the basis of contract costs incurred up to the balance sheet date as a percentage to the total estimated cost to be incurred for each contract.
- (iv) Rental income is recognised on a straight-line basis over the term of the lease.
- (v) Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.
- (vi) Guarantee fee income is recognised on a time proportion basis.
- (vii) Dividend income is recognised when the right to receive payment is established.

##### **2.25 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

##### **2.26 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 Summary of significant accounting policies (Continued)**

##### **2.26 Contingent liabilities and contingent assets (Continued)**

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

##### **2.27 Financial guarantees**

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

##### **2.28 Insurance contracts**

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. If the carrying amount of the relevant insurance liabilities less than best estimate of the expenditure required to settle the relevant insurance liabilities at the reporting period, the Group recognised the entire difference in profit or loss. These estimates are recognised only when the outflow is probable and estimates can be reliably measured.

The Group regards its financial guarantee contracts in respect of guarantees provided to its subsidiaries as insurance contracts.

##### **2.29 Dividend distribution**

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

#### **3 Financial risk management**

##### **3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

## YUE XIU ENTERPRISES (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (a) Market risk

###### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. It has offices in Hong Kong and China.

Certain financial assets and liabilities are denominated in Renminbi ("RMB"), the Group and the Company are exposed to foreign exchange risk arising from the translation of Renminbi against Hong Kong dollars. The Group and the Company have not specifically hedged this exposure considering the steady appreciation of Renminbi against Hong Kong dollars in recent years.

At 31 December 2011, if Renminbi had weakened/strengthened by 5 percent against Hong Kong dollars with all other variables held constant, the Group's post-tax profit for the year would have been approximately HK\$6 million higher/HK\$6 million lower (2010: HK\$16 million higher/HK\$17 million lower), mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated monetary assets and liabilities. The foreign exchange risk of the Company is insignificant.

###### (ii) Cash flow interest rate risk

The Group's and the Company's interest rate risk arises mainly from borrowings. Borrowings that are subject to variable rates expose the Group and the Company to cash flow interest rate risk.

At 31 December 2011, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been approximately HK\$116.2 million lower/higher (2010: HK\$80.6 million) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2011, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the Company's post-tax profit for the year would have been approximately HK\$62.4 million lower/higher (2010: HK\$56.4 million) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

## YUE XIU ENTERPRISES (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 3 Financial risk management (Continued)

##### 3.1 Financial risk factors (Continued)

###### (a) Market risk (Continued)

###### (iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified either as available-for-sale or at fair value through profit or loss.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent with all other variables held constant, the Group's equity would have been increased or decreased by approximately HK\$17.3 million (2010: HK\$17.5 million).

The financial assets at fair value through profit or loss are mainly listed securities in Hong Kong and if the price of the listed securities increased or decreased by 10 percent with all other variables held constant, the Group's profit for the year would have been increased or decreased by approximately HK\$2.2 million (2010: HK\$1.7 million).

###### (b) Credit risk

Credit risk arises from cash and cash equivalents, pledged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to customers with appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group and the Company have no significant concentrations of credit risks, with exposure spread over a number of counterparties and customers. The carrying amount of cash and cash equivalents, pledged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables represents the Group's and the Company's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group and the Company to be minimal as such amounts are generally placed with state-owned banks or listed banks. The Group and the Company carry out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk.

In addition, the Group and the Company monitor their exposure to credit risk in respect of the financial assistance provided to subsidiaries through exercising control over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

Management does not expect any losses from non-performance by counterparties. The Group and the Company do not hold any collateral as security.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group:

	On demand or with no fixed repayment terms HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Between 5 and 10 years HK\$'000	Total HK\$'000
<b>At 31 December 2011</b>						
Trade and bill payables	187,798	-	-	-	-	187,798
Other payables and accruals	688,021	-	-	-	-	688,021
Borrowings	103,547	1,311,759	4,503,704	4,072,376	4,029,773	14,021,159
Amount due to a jointly controlled entity	21,586	-	-	-	-	21,586
Amounts due to associates	73,427	-	-	-	-	73,427
Amounts due to related companies	304,585	-	-	-	-	304,585
Amounts due to non-controlling interests	228,539	-	-	-	-	228,539
	<u>1,607,503</u>	<u>1,311,759</u>	<u>4,503,704</u>	<u>4,072,376</u>	<u>4,029,773</u>	<u>15,525,115</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.1 Financial risk factors (Continued)**

**(c) Liquidity risk (Continued)**

Group:

	On demand or with no fixed repayment terms HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Between 5 and 10 years HK\$'000	Total HK\$'000
<b>At 31 December 2010</b>						
Trade and bill payables	214,600	-	-	-	-	214,600
Other payables and accruals	430,381	-	-	-	-	430,381
Borrowings	103,547	3,656,952	588,481	2,803,002	1,818,527	8,970,509
Amount due to a jointly controlled entity	446	-	-	-	-	446
Amounts due to associates	73,439	-	-	-	-	73,439
Amounts due to related companies	430,882	-	-	-	-	430,882
Amounts due to non-controlling interests	910,955	-	-	-	-	910,955
	<u>2,164,250</u>	<u>3,656,952</u>	<u>588,481</u>	<u>2,803,002</u>	<u>1,818,527</u>	<u>11,031,212</u>

Company:

	On demand or with no fixed repayment terms HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Between 5 and 10 years HK\$'000	Total HK\$'000
<b>At 31 December 2011</b>						
Other payables and accruals	237,751	-	-	-	-	237,751
Borrowings	103,547	256,847	3,168,698	2,291,776	1,180,300	7,001,168
Amounts due to subsidiaries	1,390,443	-	-	-	-	1,390,443
Amounts due to associates	1,995	-	-	-	-	1,995
Amounts due to related companies	293,312	-	-	-	-	293,312
Financial guarantee	53,889	-	-	-	-	53,889
	<u>2,080,937</u>	<u>256,847</u>	<u>3,168,698</u>	<u>2,291,776</u>	<u>1,180,300</u>	<u>8,978,558</u>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

Company:

	On demand or with no fixed repayment terms HK\$'000	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Between 5 and 10 years HK\$'000	Total HK\$'000
<b>At 31 December 2010</b>						
Other payables and accruals	212,269	-	-	-	-	212,269
Borrowings	103,547	2,950,612	-	2,815,887	-	5,870,046
Amounts due to subsidiaries	729,822	-	-	-	-	729,822
Amounts due to associates	1,995	-	-	-	-	1,995
Amounts due to related companies	417,290	-	-	-	-	417,290
Financial guarantee	82,889	-	-	-	-	82,889
	<u>1,547,812</u>	<u>2,950,612</u>	<u>-</u>	<u>2,815,887</u>	<u>-</u>	<u>7,314,311</u>

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity (excluding non-controlling interests), as shown in the consolidated balance sheet plus net debt.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.2 Capital risk management (Continued)

The gearing ratios at 31 December 2011 and 31 December 2010 were as follows:

	2011 HK\$'000	2010 HK\$'000
Total borrowings (Note 29)	11,619,537	8,060,620
Less: Cash and cash equivalents (Note 26)	(3,498,580)	(3,388,601)
Net debt	8,120,957	4,672,019
Total equity (excluding non-controlling interests)	14,888,746	11,364,883
Total capital	23,009,703	16,036,902
Gearing ratio	35%	29%

#### 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value at 31 December 2011.

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale financial assets				
Equity securities (Note 22)				
- Listed securities	730	-	-	730
- Unlisted securities	-	-	172,114	172,114
Derivative financial instrument	-	-	4,294	4,294
Financial assets at fair value through profit or loss (Note 25)	21,775	-	-	21,775
<b>Total assets</b>	<b>22,505</b>	<b>-</b>	<b>176,408</b>	<b>198,913</b>



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 Financial risk management (Continued)

#### 3.3 Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale financial assets				
Equity securities (Note 22)				
- Listed securities	957	-	-	957
- Unlisted securities	-	-	174,369	174,369
Derivative financial instrument	-	-	10,736	10,736
Financial assets at fair value through profit or loss (Note 25)	17,499	-	-	17,499
<b>Total assets</b>	<u>18,456</u>	<u>-</u>	<u>185,105</u>	<u>203,561</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily Hong Kong Stock Exchange equity investments classified as trading securities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows or market comparison approach are used to determine fair value for the financial instruments. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**3 Financial risk management (Continued)**

**3.3 Fair value estimation (Continued)**

The following table presents the changes in level 3 instruments for the year ended 31 December 2011:

	Available- for-sale financial assets HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
As at 1 January 2011	175,326	10,736	186,062
Currency translation differences	8,435	368	8,803
Fair value losses on available-for-sale financial assets recognised in the consolidated statement of comprehensive income	(10,909)	-	(10,909)
Fair value loss on derivative financial instrument recognised in the consolidated income statement	-	(6,810)	(6,810)
Disposal of a subsidiary (Note 40(a))	(8)	-	(8)
As at 31 December 2011	<u>172,844</u>	<u>4,294</u>	<u>177,138</u>

The following table presents the changes in level 3 instruments for the year ended 31 December 2010:

	Available- for-sale financial assets HK\$'000	Derivative financial instrument HK\$'000	Total HK\$'000
As at 1 January 2010	204,674	-	204,674
Currency translation differences	6,246	-	6,246
Additions	31	10,736	10,767
Fair value gains on available-for-sale financial assets recognised in the consolidated statement of comprehensive income	719	-	719
Impairment losses charged to consolidated income statement	-	-	-
- continuing operations	(27,696)	-	(27,696)
- discontinued operations	(5,492)	-	(5,492)
Disposals	(3,156)	-	(3,156)
As at 31 December 2010	<u>175,326</u>	<u>10,736</u>	<u>186,062</u>

## YUE XIU ENTERPRISES (HOLDINGS) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4 Critical accounting estimates and assumptions

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

##### (a) Depreciation of property, plant and equipment

The Group amortises its leasehold land classified as finance lease and depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

##### (b) Impairment of leasehold land and land use rights and property, plant and equipment

Leasehold land and land use rights and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of leasehold land and land use rights and property, plant and equipment, have been determined based on the higher of their value-for-sale or value-in-use, taking into account the latest market information and past experience.

##### (c) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 4.5% to 47.3%. Traffic volumes of certain toll highways and bridges of the Group have become saturated; while traffic growth rate of a toll highway in Hubei is forecasted to be significant due to the opening of its extension connected to Wuhan Tianhe Airport.

##### (d) Impairment of intangible operating rights

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**4 Critical accounting estimates and assumptions (Continued)**

**(e) Fair value of investment properties**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance date.

The principal assumptions underlying management's estimation of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

**(f) Fair value of available-for-sale financial assets**

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustment to reflect those differences.
- (ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

## **YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **4 Critical accounting estimates and assumptions (Continued)**

##### **(g) Impairment of receivables**

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivable is recognised in the period in which such estimates is changed.

##### **(h) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to market conditions. Management reassesses these estimates at each balance sheet date.

##### **(i) Current and deferred income taxes**

The Group is mainly subject to income tax in China and Hong Kong. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax in the periods in which such estimate is changed.

##### **(j) Provision for withholding income tax on undistributed profits**

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 11.

##### **(k) Provision for capital gain tax on disposal of jointly controlled entities**

The Group is subject to capital gain tax upon the disposal of jointly controlled entities principally located in China. Significant judgement is required in determining the amount of provision and the timing of payment of the related payments. Where the final tax outcome is different from the amount that was initially recorded, such difference will impact the income tax and deferred tax provisions in the periods in which such determination are made.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 Revenue - continuing operations

The Group is principally engaged in the property holding, provision of financial services, stock brokerage services, tunnel management, hotel and travel agency services, investment in and development, operation and management of toll highways, expressway and bridges mainly in Guangdong Province and other high-growth provinces in China and other investment holdings in places mainly within Hong Kong and China. Revenue recognised is as follows:

	2011 HK\$'000	2010 HK\$'000
Toll revenue	1,590,812	1,446,629
Tunnel management fee	59,976	59,976
Construction income of toll highways and bridges upgrade services	375,567	109,418
Revenue from hotel and travel agency services	-	3,089
Rental income	25,260	22,648
Commission income from insurance management and agency services	776	943
Commission and handling income on securities broking	4,986	4,456
Guarantee fee income from		
- jointly controlled entities	-	200
- a third party	84	-
Dividend income from		
- financial assets at fair value through profit or loss	768	367
- available-for-sale financial assets	5,557	25,633
	<u>2,063,786</u>	<u>1,673,359</u>

### 6 Other gains/(losses), net - continuing operations

	2011 HK\$'000	2010 HK\$'000
Fair value gains on investment properties (Note 17)	14,219	1,861
Gain on disposals of investment properties	2,747	-
Gain on disposals of property, plant and equipment	10,472	2,441
Gain on disposals of subsidiaries (Note 34)	-	46,466
Fair value (loss)/gain on financial assets at fair value through profit or loss	(6,656)	1,911
(Loss)/gain on disposals of financial assets at fair value through profit or loss	(1,247)	42
Gain on disposals of available-for-sale financial assets	-	60
Impairment of available-for-sale financial assets (Notes 22 and 28)	-	(38,859)
Loss for disposal group (Note 34)	-	(3,671)
Fair value loss on derivative financial instrument	(6,810)	-
Exchange gain/(loss), net (Note)	109,162	(43,429)
Others	1,543	4,393
	<u>123,430</u>	<u>(28,785)</u>

Note:

In 2011, certain subsidiaries of the Group repaid their shareholder's loans subsequent to their surrender of toll stations to the Guangzhou Government, the corresponding cumulative exchange differences of approximately HK\$107.9 million arising from the shareholder's loans previously recognised in exchange fluctuation reserve were recognised in the consolidated income statement upon repayments.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**7 Other income - continuing operations**

	2011 HK\$'000	2010 HK\$'000
Management fee income	362	562
Others	13,284	18,135
	<u>13,646</u>	<u>18,697</u>

**8 Expenses by nature - continuing operations**

	2011 HK\$'000	2010 HK\$'000
Advertising expenses	589	502
Amortisation of intangible assets (Note 15)	331,300	321,530
Auditor's remuneration		
- audit services	6,228	6,404
- non-audit services	4,071	735
Business tax	54,993	48,401
Construction cost of toll highways and bridges upgrade services	375,567	109,418
Depreciation of property, plant and equipment (Note 16)	31,956	25,208
Donations	4,110	9,202
Employee benefit expenses (Note 13)	216,316	199,481
Entertainment	11,822	7,031
Impairment of goodwill (Note 15)	1,952	-
Legal and professional fee	8,659	6,591
Motor car expenses	6,712	4,413
Operating lease rentals on land and buildings	8,492	6,882
Repair and maintenance	13,006	5,798
Reversal of provision for other receivables	(3,376)	(3,473)
Reversal of provision for impairment of amount due from a related company (Note 42)	(7,711)	(1,525)
Toll road maintenance and direct costs	174,262	234,415
Travelling	5,489	2,997
Utilities expenses and office supplies	23,365	17,521
Others	30,665	19,065
Total expenses from continuing operations	<u>1,298,467</u>	<u>1,020,596</u>
Representing:		
Costs of sales	954,396	725,371
General and administrative expenses	343,482	294,723
Selling and distribution expenses	589	502
	<u>1,298,467</u>	<u>1,020,596</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**9 Finance income - continuing operations**

	2011 HK\$'000	2010 HK\$'000
Interest income from bank deposits	19,549	20,304
Interest income from		
- external customers	11,042	11,049
- jointly controlled entities	-	15,087
- associates	912	1,505
	<u>31,503</u>	<u>47,945</u>

**10 Finance costs - continuing operations**

	2011 HK\$'000	2010 HK\$'000
Interest on borrowings		
- bank and other borrowings	296,355	129,218
- loans from related companies	-	3,569
Bank charges	33,107	16,151
	<u>329,462</u>	<u>148,938</u>

**11 Income tax expense**

The amount of income tax expenses charged to the consolidated income statement represents:

	2011 HK\$'000	2010 HK\$'000
Current tax:		
Hong Kong profits tax (Note (a))		
- current year	168	110
Overseas tax (Notes (b))		
- current year	127,777	119,580
- under-provision in prior years	600	334
	<u>128,545</u>	<u>120,024</u>
Deferred tax: (Note 30)		
- origination and reversal of temporary differences	9,728	(5,845)
	<u>138,273</u>	<u>114,179</u>

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

(b) Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 Income tax expense (Continued)

The tax on the Group's profit before income tax less shares of profits less losses of jointly controlled entities and associates differs from the theoretical amount that would arise using the taxation rate of Hong Kong, where majority of the Group's operations were carried out, as follows:

	2011 HK\$'000	2010 HK\$'000
Profit before income tax	3,894,044	1,201,238
Less: share of profits less losses of:		
- jointly controlled entities	(20,815)	(19,687)
- associates	(3,191,775)	(697,947)
	<u>681,454</u>	<u>483,604</u>
Calculated at tax rate of 16.5% (2010: 16.5%)	112,440	79,795
Effect of different taxation rates in other countries	36,196	27,447
Income not subject to tax	(27,135)	(28,722)
Expenses not deductible for tax purposes	34,079	48,044
Under-provision in prior years	600	334
Profit of a subsidiary with preferential tax treatment	(66,988)	(60,698)
Withholding tax on undistributed profits of subsidiaries and associates	<u>49,081</u>	<u>47,979</u>
Income tax expense	<u>138,273</u>	<u>114,179</u>

### 12 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company dealt with in the financial statements of the Company to the extent of approximately HK\$150,524,000 (2010: HK\$317,323,000).

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**13 Employee benefit expenses (including directors' emoluments)**

	2011 HK\$'000	2010 HK\$'000
Wages, salaries and bonus	166,676	130,692
Pension costs - defined contribution plans	5,057	5,659
Staff welfare	44,583	63,130
	<u>216,316</u>	<u>199,481</u>

**Pension scheme arrangements**

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("MPF Scheme") and Occupational Retirement Provident Fund Scheme ("ORSO Scheme"), defined contribution schemes managed by an independent trustee. The assets of the fund are held separately from those of the Group and are managed by independent professional fund managers. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings. Both the employer's and the employees' contributions are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary. Under the ORSO scheme, the Group makes monthly contributions to the scheme ranging from 7% to 15% of the employees' earning.

Subsidiaries of the Group in China are required to participate in a defined contribution retirement plan organised by the Guangzhou Municipal People's Government. All Chinese workers are entitled to a pension equal to a fixed proportion of their ending basic salary amount at their retirement date. The subsidiaries are required to make contributions to the retirement plan at the rates of 20 per cent of the monthly salaries of the employees.

The Group's contributions to the pension schemes are charged to consolidated income statement and such expenses incurred by the Group for the year amounted to approximately HK\$5,057,000 (2010: HK\$5,659,000).

**14 Directors' emoluments**

	2011 HK\$'000	2010 HK\$'000
Other emoluments:		
Salaries and allowances	2,590	3,957
Retirement benefits - defined contribution plans	98	173
	<u>2,688</u>	<u>4,130</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15 Intangible assets**

Group:

	Goodwill HK\$'000	Trademark HK\$'000	Operating rights HK\$'000	Total HK\$'000
<b>At 1 January 2010</b>				
Cost	15,124	557	9,008,220	9,023,901
Accumulated amortisation and impairment	(15,073)	(128)	(9,782)	(24,983)
Net book amount	<u>51</u>	<u>429</u>	<u>8,998,438</u>	<u>8,998,918</u>
<b>Year ended 31 December 2010</b>				
Opening net book amount	51	429	8,998,438	8,998,918
Exchange difference	-	-	298,809	298,809
Additions	-	-	111,292	111,292
Acquisition of a subsidiary (Note 39(b))	140,455	-	1,960,691	2,101,146
Amortisation	-	(15)	(321,515)	(321,530)
Disposals	-	(75)	(1,280,393)	(1,280,468)
Disposal of a subsidiary (Note 40(b))	-	(246)	-	(246)
Closing net book amount	<u>140,506</u>	<u>93</u>	<u>9,767,322</u>	<u>9,907,921</u>
<b>At 31 December 2010</b>				
Cost	155,579	199	10,654,395	10,810,173
Accumulated amortisation and impairment	(15,073)	(106)	(887,073)	(902,252)
Net book amount	<u>140,506</u>	<u>93</u>	<u>9,767,322</u>	<u>9,907,921</u>
<b>Year ended 31 December 2011</b>				
Opening net book amount	140,506	93	9,767,322	9,907,921
Exchange difference	6,991	-	481,327	488,318
Additions	-	-	383,460	383,460
Acquisition of a subsidiary (Note 39(a))	11,629	-	3,803,338	3,814,967
Amortisation	-	-	(331,300)	(331,300)
Impairment	(1,952)	-	-	(1,952)
Disposal of a subsidiary (Note 40(a))	-	(93)	-	(93)
Closing net book amount	<u>157,174</u>	<u>-</u>	<u>14,104,147</u>	<u>14,261,321</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**15 Intangible assets (Continued)**

	Goodwill HK\$'000	Trademark HK\$'000	Operating rights HK\$'000	Total HK\$'000
<b>At 31 December 2011</b>				
Cost	159,126	-	15,375,292	15,534,418
Accumulated amortisation and impairment	(1,952)	-	(1,271,145)	(1,273,097)
Net book amount	<u>157,174</u>	<u>-</u>	<u>14,104,147</u>	<u>14,261,321</u>

Goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisitions of interests in subsidiaries.

Goodwill is allocated to the Group's two cash-generating units including the operations of Hubei Han Xiao Highway and Hunan Changzhu Expressway.

The recoverable amounts of the above cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated by using the estimated growth rates at 5.2%.

Key assumptions and considerations used for the value-in-use calculations included estimated traffic flow growth, vehicle types of the toll expressways and highway operation and expected gross domestic product growth rate. Toll fee charging rates of the expressways or highway were regulated by the relevant government authorities in China.

Management determined the above key assumptions and considerations based on past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Discount rates adopted are ranging from 10.8% to 13.3%. The discount rates used are pre-tax and reflect specific risks relating to the respective toll highways operator industry.

At 31 December 2011, intangible operating rights with carrying value of HK\$13,288,014,000 (2010: HK\$8,943,928,000) were pledged to secure the Group's bank borrowings (Note 35).

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16 Property, plant and equipment**

(a) Group

	Leasehold land and buildings HK\$'000	Plant, machinery and tools HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>At 1 January 2010</b>						
Cost	580,663	4,088,600	152,920	43,540	202,521	5,068,244
Accumulated depreciation and impairment	(57,847)	(824,658)	(56,131)	(11,206)	-	(949,842)
<b>Net book amount</b>	<b>522,816</b>	<b>3,263,942</b>	<b>96,789</b>	<b>32,334</b>	<b>202,521</b>	<b>4,118,402</b>
<b>Year ended 31 December 2010</b>						
Opening net book amount	522,816	3,263,942	96,789	32,334	202,521	4,118,402
Currency translation differences	46,098	74,424	3,804	615	1,205	126,146
Additions	980	11,123	15,682	5,586	47,873	81,244
Acquisition of a subsidiary (Note 39(b))	-	-	13,298	1,023	-	14,321
Disposals	(33,467)	(84,493)	(23,936)	(1,435)	(80,314)	(223,645)
Disposal of a subsidiary (Note 40(b))	(382,932)	(1,377,931)	(13,158)	(13,255)	(140,769)	(1,928,045)
Depreciation						
- continuing operations	(2,815)	(7,748)	(11,181)	(3,464)	-	(25,208)
- discontinued operations	(9,448)	(79,109)	(6,928)	(6,996)	-	(102,481)
Impairment	-	(13)	-	-	-	(13)
- continuing operations	(19,573)	(1,773,465)	(1,758)	-	-	(1,794,796)
- discontinued operations	1,984	-	-	-	-	1,984
Transfer from investment properties (Note 17)	-	30,516	-	-	(30,516)	-
Transfer						
<b>Closing net book amount</b>	<b>123,643</b>	<b>57,246</b>	<b>72,612</b>	<b>14,408</b>	<b>-</b>	<b>267,909</b>

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Property, plant and equipment (Continued)

(a)	Group	Leasehold land and buildings HK\$'000	Plant, machinery and tools HK\$'000	Office equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
	<b>At 31 December 2010</b>						
	Cost	168,220	1,838,865	109,497	24,426	-	2,141,008
	Accumulated depreciation and impairment	(44,577)	(1,781,619)	(36,885)	(10,018)	-	(1,873,099)
	Net book amount	<u>123,643</u>	<u>57,246</u>	<u>72,612</u>	<u>14,408</u>	<u>-</u>	<u>267,909</u>
	<b>Year ended 31 December 2011</b>						
	Opening net book amount	123,643	57,246	72,612	14,408	-	267,909
	Currency translation differences	1,850	-	2,649	518	-	5,017
	Additions	615	6,076	120,379	7,282	454,925	589,277
	Acquisition of a subsidiary (Note 39(a))	-	-	979	980	-	1,959
	Disposals	(6,852)	-	(617)	4,431	-	(3,038)
	Disposal of a subsidiary (Note 40(a))	(23,757)	(52,073)	(1,466)	(5,438)	-	(82,734)
	Depreciation						
	- continuing operations	(4,218)	(1,040)	(22,552)	(4,146)	-	(31,956)
	- discontinued operations	(765)	(3,366)	(506)	(175)	-	(4,812)
	Write-off	-	-	(721)	-	-	(721)
	Closing net book amount	<u>90,516</u>	<u>6,843</u>	<u>170,757</u>	<u>17,860</u>	<u>454,925</u>	<u>740,901</u>
	<b>At 31 December 2011</b>						
	Cost	112,251	12,288	201,201	26,338	454,925	807,003
	Accumulated depreciation and impairment	(21,735)	(5,445)	(30,444)	(8,478)	-	(66,102)
	Net book amount	<u>90,516</u>	<u>6,843</u>	<u>170,757</u>	<u>17,860</u>	<u>454,925</u>	<u>740,901</u>

At 31 December 2011, land and buildings and construction in progress with carrying amount of HK\$420,661,000 (2010: HK\$79,766,000) were pledged to secure bank borrowings (Note 35).

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16 Property, plant and equipment (Continued)**

**(a) Group**

The Group's interests in leasehold land and buildings at their carrying amounts are analysed as follows:

	<u>Group</u>	
	2011	2010
	HK\$'000	HK\$'000
In Hong Kong	88,893	97,462
In China	1,623	26,181
	<u>90,516</u>	<u>123,643</u>

**(b) Company**

	Leasehold land and buildings HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 January 2010</b>				
Cost	23,583	15,739	203	39,525
Accumulated depreciation	<u>(6,633)</u>	<u>(15,611)</u>	<u>(203)</u>	<u>(22,447)</u>
Net book amount	<u>16,950</u>	<u>128</u>	<u>-</u>	<u>17,078</u>
<b>Year ended 31 December 2010</b>				
Opening net book amount	16,950	128	-	17,078
Additions	-	30	226	256
Depreciation	<u>(289)</u>	<u>-</u>	<u>-</u>	<u>(289)</u>
Transfer from investment properties (Note 17)	1,984	-	-	1,984
Closing net book amount	<u>18,645</u>	<u>158</u>	<u>226</u>	<u>19,029</u>
<b>At 31 December 2010</b>				
Cost	25,546	15,769	429	41,744
Accumulated depreciation	<u>(6,901)</u>	<u>(15,611)</u>	<u>(203)</u>	<u>(22,715)</u>
Net book amount	<u>18,645</u>	<u>158</u>	<u>226</u>	<u>19,029</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16 Property, plant and equipment (Continued)**

**(b) Company**

	Leasehold land and buildings HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Year ended 31 December</b>				
<b>2011</b>				
Opening net book amount	18,645	158	226	19,029
Additions	-	2,130	-	2,130
Depreciation	(2,150)	(453)	(49)	(2,652)
Transfer from investment properties (Note 17)	3,000	-	-	3,000
Write-off	-	(44)	-	(44)
Closing net book amount	<u>19,495</u>	<u>1,791</u>	<u>177</u>	<u>21,463</u>
<b>At 31 December 2011</b>				
Cost	28,546	2,273	226	31,045
Accumulated depreciation	<u>(9,051)</u>	<u>(482)</u>	<u>(49)</u>	<u>(9,582)</u>
Net book amount	<u>19,495</u>	<u>1,791</u>	<u>177</u>	<u>21,463</u>

Leasehold land and buildings are located in Hong Kong.

At 31 December 2011, leasehold land and buildings with carrying amount of HK\$19,495,000 (2010: HK\$18,645,000) were pledged to secure bank borrowings (Note 35).

**17 Investment properties**

	<u>Group</u>		<u>Company</u>	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>At fair value</b>				
Beginning of the year	134,615	137,032	84,750	71,360
Currency translation differences	635	26	-	-
Addition	42,772	-	-	-
Transfer to property, plant and equipment (Note 16)	-	(1,984)	(3,000)	(1,984)
Fair value gains credited to statement of comprehensive income	14,219	1,861	24,210	17,694
Disposals	<u>(47,172)</u>	<u>(2,320)</u>	<u>(25,800)</u>	<u>(2,320)</u>
End of the year	<u>145,069</u>	<u>134,615</u>	<u>80,160</u>	<u>84,750</u>



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 Investment properties (Continued)

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2011 revaluations were based on independent assessments made by independent valuers.

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong, held on:				
Leases of between 10 and 50 years	19,200	3,520	-	-
Leases of over 50 years	121,650	106,739	80,160	84,750
Outside Hong Kong, held on:				
Freehold land	-	21,372	-	-
Leases of between 10 and 50 years	4,219	2,984	-	-
	<u>145,069</u>	<u>134,615</u>	<u>80,160</u>	<u>84,750</u>

Investment properties outside Hong Kong are mainly located in China.

At 31 December 2011, investment properties of the Group with carrying amount of HK\$130,769,000 (2010: HK\$116,462,000) were pledged to secure bank borrowings (Note 35).

At 31 December 2011, the investment properties of the Company with carrying amount of HK\$80,160,000 (2010: HK\$84,750,000) were pledged to secure bank borrowings (Note 35).

### 18 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Beginning of the year	3,520	55,994
Currency translation differences	-	443
Amortisation	(264)	(528)
Disposal of a subsidiary (Note 40(a)/(b))	(3,256)	(52,389)
End of the year	<u>-</u>	<u>3,520</u>
Analysed as:		
Outside Hong Kong, held on:		
Land use rights of between 10 and 50 years	<u>-</u>	<u>3,520</u>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 Investments in subsidiaries

	Company	
	2011	2010
	HK\$'000	HK\$'000
Unlisted investments, at cost:		
Beginning of the year	585,519	486,519
Additions	-	100,000
Disposals	(79,840)	(1,000)
End of the year	505,679	585,519
Less: Provision for impairment	(5,400)	(16,333)
	500,279	569,186
Market value of listed shares	29	39

Movements in the provision for impairment of investments in subsidiaries are as follows:

	Company	
	2011	2010
	HK\$'000	HK\$'000
Beginning of the year	16,333	17,333
Write-off	(10,933)	(1,000)
End of the year	5,400	16,333

Note:

Particulars of the principal subsidiaries are shown in note 45 to the consolidated financial statements.

### 20 Interests in jointly controlled entities

	Group	
	2011	2010
	HK\$'000	HK\$'000
Share of net assets:		
Beginning of year	360,770	643,080
Currency translation difference	18,607	11,621
Share of profits less losses		
- continuing operations	20,815	19,687
- discontinued operations (Note 40(c))	-	89,211
Share of other comprehensive income		
- discontinued operations (Note 28)	-	14,077
Disposals	-	(416,906)
End of year	400,192	360,770

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 Interests in jointly controlled entities (Continued)

The Group's interests in principal jointly controlled entities, all of which are unlisted, were as follows:

	2011		2010	
	Continuing operations HK\$'000	Continuing operations HK\$'000	Discontinued operations HK\$'000	Total HK\$'000
Income	109,511	95,875	1,107,470	1,203,345
Expenses	(88,696)	(76,188)	(1,018,259)	(1,094,447)
Profit for the year	<u>20,815</u>	<u>19,687</u>	<u>89,211</u>	<u>108,898</u>
Assets				
Long term assets	1,089,058	1,057,152	-	1,057,152
Current assets	50,735	31,883	-	31,883
	<u>1,139,793</u>	<u>1,089,035</u>	<u>-</u>	<u>1,089,035</u>
Liabilities				
Long term liabilities	(498,972)	493,084	-	493,084
Current liabilities	(240,629)	235,181	-	235,181
	<u>(739,601)</u>	<u>728,265</u>	<u>-</u>	<u>728,265</u>
Net assets	<u>400,192</u>	<u>360,770</u>	<u>-</u>	<u>360,770</u>

In 2011, the Group did not recognise share of losses of approximately HK\$2.3 million (2010: HK\$4 million). The accumulated losses not recognised by the Group for certain jointly controlled entities were approximately HK\$19.0 million (2010: HK\$16.7 million).

#### Notes:

- At 31 December 2011, Xian Wan Nian Hotel Company Limited, 25% equity interests of which was held by Yue Xiu Habin (Xian) Ltd, a subsidiary of the Group, had no capital commitment in respect of property, plant and equipment (2010: HK\$7,059,000).
- Details of the principal jointly controlled entity of the Group as at 31 December 2011 are set out in note 46.
- There are no contingent liabilities relating to the Group's interests in the jointly controlled entities, and no contingent liabilities of the jointly controlled entities themselves.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21 Investments in associates**

	<u>Group</u>	
	2011 HK\$'000	2010 HK\$'000
Share of net assets:		
Beginning of the year	11,995,997	9,322,079
Share of profits	3,191,775	697,947
Currency translation difference	661,375	342,227
Capital injection	77,170	1,644,444
Dividends received from associates	(555,236)	(302,625)
Share of other comprehensive income	(250,121)	(32,965)
Additional acquired interests:		
- acquisition arising from rights issue	-	300,768
- acquisitions	206,489	-
- negative goodwill arising	77,018	45,620
Disposals	-	(21,498)
End of the year	<u>15,404,467</u>	<u>11,995,997</u>
Market value of listed shares	<u>5,207,828</u>	<u>9,401,511</u>

	<u>Company</u>	
	2011 HK\$'000	2010 HK\$'000
Investments, at cost		
Unlisted investments	52,211	52,211
Listed investments in Hong Kong	84	84
	<u>52,295</u>	<u>52,295</u>
Less: Provision for impairment	(52,211)	(52,211)
	<u>84</u>	<u>84</u>
Market value of listed shares	<u>94</u>	<u>119</u>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 Investments in associates (Continued)

Interests in associates at 31 December 2011 include goodwill of HK\$68 million (2010: HK\$68 million).

The Group's interests in its principal associates are as follows:

	2011 HK\$'000	2010 HK\$'000
Revenue	<u>6,312,688</u>	<u>3,582,525</u>
Profit for the year	<u>3,191,775</u>	<u>697,947</u>
Assets	42,879,483	33,235,525
Liabilities	(27,542,854)	(21,307,367)
Net assets	<u>15,336,629</u>	<u>11,928,158</u>

In 2011, the Group did not recognise share of losses of approximately HK\$92 million (2010: HK\$107 million). The accumulated losses not recognised by the Group for certain associates were approximately HK\$213 million (2010: approximately HK\$121 million).

Notes:

- (a) All of the interests in associates held by the Group are unlisted except for the investment in Yuexiu Property Company Limited ("YXP") and its subsidiaries with carrying amounts of approximately HK\$11,982 million (2010: HK\$8,367 million) which is listed in The Stock Exchange of Hong Kong Limited.
- (b) At 31 December 2011, the Group's share of certain subsidiaries of YXP had capital commitments in respect of property, plant and equipment of approximately HK\$894.8 million (2010: approximately HK\$1,278.1 million) and unpaid land premium payable in respect of the land acquisition of approximately HK\$663.1 million (2010: HK\$1,792.0 million).
- (c) Details of the principal associates of the Group as at 31 December 2011 are set out in note 47.

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Available-for-sale financial assets

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Beginning of the year	175,326	204,674	-	11,618
Currency translation differences	4,221	6,246	-	-
Additions	-	31	-	-
Fair value gains (credited)/charged to equity	(6,695)	719	-	-
Impairment losses charged to consolidated income statement				
- continuing operations	-	(27,696)	-	(11,618)
- discontinued operations	-	(5,492)	-	-
Disposals	-	(3,156)	-	-
Disposal of a subsidiary (Note 40(a))	(8)	-	-	-
End of the year	172,844	175,326	-	-

Available-for-sale financial assets include the following:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Non-current portion:				
Equity securities				
- Listed in Hong Kong	730	957	-	-
Unlisted securities	172,114	174,369	-	-
	172,844	175,326	-	-
Market value of listed securities	730	957	-	-

Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollars	730	957	-	-
Renminbi	171,381	173,636	-	-
United States dollars	733	733	-	-
	172,844	175,326	-	-

The balance of unlisted equity securities was stated at fair value, which was valued based on market comparison approach.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**23 Inventories**

	Group	
	2011 HK\$'000	2010 HK\$'000
Raw materials	-	56,911
Work-in-progress	-	41,116
Finished goods	-	14,881
	-	112,908
Less: Provision for obsolete inventories	-	(1,803)
	-	111,105

The cost of inventories recognised as expenses and included in cost of sales for discontinued operations amounted to approximately HK\$213,922,000 (2010: HK\$493,404,000).

**24 Trade receivables, prepayments, deposits and other receivables**

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade receivables	44,415	101,451	17,548	17,548
Bill receivables	-	5,692	-	-
	44,415	107,143	17,548	17,548
Less: Provision for impairment	(17,548)	(17,548)	(17,548)	(17,548)
Trade and bill receivables - net	26,867	89,595	-	-
Prepayments, deposits and other receivables	1,325,252	2,727,683	9,006	148,496
Less: Non-current portion	(181,915)	(296,531)	-	(5,731)
Current portion	1,170,204	2,520,747	9,006	142,765

Notes:

- (a) Non-current receivables have repayment terms of more than twelve months.
- (b) Non-current receivable mainly represents the non-current portion of present value of consideration receivable, discounted at rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II completed in 2009.

As at 31 December 2011, the total remaining balance of the consideration receivable is HK\$186.4 million (2010: HK\$186.4 million) which will be settled by 20 half yearly installments until the end of concessionary period, i.e. 30 November 2021. HK\$175.2 million (2010: HK\$177.5 million) will be received after 2012 according to the receipt schedule.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 Trade receivables, prepayments, deposits and other receivables (Continued)

- (c) The carrying amounts of trade receivables and other receivables approximate their fair values.

As at 31 December 2011, trade receivables of approximately HK\$1,009,000 (2010: HK\$8,461,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Up to 3 months	-	6,627	-	-
3 to 6 months	-	825	-	-
6 to 12 months	-	-	-	-
1 to 2 years	-	-	-	-
Over 2 years	1,009	1,009	-	-
	<u>1,009</u>	<u>8,461</u>	<u>-</u>	<u>-</u>

- (d) As at 31 December 2011, trade receivables of the Group and the Company of approximately HK\$17,548,000 (2010: HK\$17,548,000) were impaired and fully provided for. The individually impaired receivables are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Over 2 years	<u>17,548</u>	<u>17,548</u>	<u>17,548</u>	<u>17,548</u>

Movements in the provision for impairment of trade receivables are as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	17,548	45,971	17,548	17,548
Disposal of subsidiaries	-	(28,423)	-	-
End of the year	<u>17,548</u>	<u>17,548</u>	<u>17,548</u>	<u>17,548</u>



**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**24 Trade receivables, prepayments, deposits and other receivables (Continued)**

- (e) The carrying amounts of net trade and bill receivables are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
United States dollars	-	44,843	-	-
Hong Kong dollars	1,009	16,889	-	-
Euro	-	3,408	-	-
Renminbi	25,858	24,233	-	-
Japanese Yen	-	222	-	-
	<u>26,867</u>	<u>89,595</u>	<u>-</u>	<u>-</u>

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above. The Group does not hold any collateral as security.

**25 Financial assets at fair value through profit or loss**

	Group	
	2011 HK\$'000	2010 HK\$'000
Equity securities held-for-trading, at fair value:		
- Listed in Hong Kong	<u>21,775</u>	<u>17,499</u>

The fair value of all equity securities is based on their current bid prices in an active market.

Financial assets at fair value through profit or loss of aggregated carrying amount of approximately HK\$21,775,000 (2010: HK\$17,499,000) are equity securities in associates. They are held for the purpose of selling in the short-term.

**26 Pledged bank balances and deposits/cash and cash equivalents/client trust bank balances**

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash at banks and on hand	3,247,364	3,039,363	1,706,454	214,140
Short-term bank deposits	<u>251,216</u>	<u>349,238</u>	<u>-</u>	<u>300,901</u>
Cash and cash equivalents	3,498,580	3,388,601	1,706,454	515,041
Client trust bank balances	94,957	71,389	-	-
Pledged bank balances and deposits	<u>14,349</u>	<u>5,498</u>	<u>8,875</u>	<u>28</u>
	<u>3,607,886</u>	<u>3,465,488</u>	<u>1,715,329</u>	<u>515,069</u>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 Pledged bank balances and deposits/cash and cash equivalents/client trust bank balances (Continued)

The amounts are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollars	2,179,248	1,630,871	1,696,130	512,165
Renminbi	1,362,364	1,823,563	1,076	508
United States dollars	61,692	9,521	13,564	886
Thai Baht	16	17	16	17
Euro	3,171	111	3,171	111
Others	1,395	1,405	1,372	1,382
	<u>3,607,886</u>	<u>3,465,488</u>	<u>1,715,329</u>	<u>515,069</u>

The carrying amounts of pledged bank balances and deposits and cash and cash equivalents approximate their fair values.

As at 31 December 2011 and 2010, all cash and cash equivalents denominated in Renminbi were placed with banks in China. The conversion of these Renminbi denominated balances into foreign currencies was subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

The Group's bank deposits are placed with major financial institutions. Counter parties credit risks are carefully reviewed, and none of the bank balances and deposits is exposed to significant credit risk.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group is not allowed to use the clients' monies to settle its own obligations under the Securities & and Futures Ordinance (Cap.571).

### 27 Share capital

	2011 HK\$'000	2010 HK\$'000
Authorised:		
10,000,000 ordinary shares of HK\$10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
7,000,000 ordinary shares of HK\$10 each	<u>70,000</u>	<u>70,000</u>

### Share options

The subsidiary, Yuexiu Transport Infrastructure Limited ("YXT"), has been operating a share option scheme since 25 June 2002, under which it may grant options to employees (including Executive Directors of YXT) to subscribe for shares in YXT, subject to a maximum of 10% of the number of shares in issue as at 25 June 2002. The exercise price is determined by the board of directors of YXT and must be at least the highest of (a) the closing price of the shares as stated in The Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. As at 31 December 2011, no such options had been granted to any person since its adoption.

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Other reserves

(a) Group

	Share premium HK\$'000	Capital reserve (Note i) HK\$'000	Statutory reserves (Note ii) HK\$'000	Exchange fluctuation reserves HK\$'000	Asset revaluation reserves (Note iii) HK\$'000	Available- for-sale financial assets fair value reserves HK\$'000	Employee share- based compensation reserves HK\$'000	Transaction with non- controlling interests reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2011	7,765,670	(2,353,369)	104,980	1,277,204	766,466	390,448	5,371	-	3,338,113	11,294,883
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	-	-	-	-	3,108,901	3,108,901
<b>Other comprehensive income</b>										
Currency translation differences	-	54,612	1,302	651,061	19,913	1,636	-	-	-	728,524
Share of reserves of associates	-	-	624	(49,407)	-	(189,587)	(1,338)	-	(10,413)	(250,121)
Available-for-sale financial assets	-	-	-	-	-	(6,695)	-	-	-	(6,695)
- Changes in fair value	-	-	-	-	-	1,619	-	-	-	1,619
- Deferred tax on fair value gain	-	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary	-	-	-	(32,422)	-	-	-	-	-	(32,422)
- Release (Note 40(a))	-	-	-	-	-	-	-	-	-	-
- Transfer	-	41,216	(8,039)	-	1,158	28	-	-	(34,363)	-
<b>Transactions with owners</b>										
Changes in ownership interest in a subsidiary (Note 41)	-	-	-	-	-	-	-	(25,943)	-	(25,943)
Transfer	-	376,629	18,195	(223,059)	(209,586)	(9,781)	-	-	47,602	-
Balance at 31 December 2011	7,765,670	(1,880,912)	117,062	1,623,377	577,951	187,668	4,033	(25,943)	6,449,840	14,818,746

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Other reserves (Continued)

(a) Group

	Share premium HK\$'000	Capital reserve (Note i) HK\$'000	Statutory reserves (Note ii) HK\$'000	Exchange fluctuation reserves HK\$'000	Asset revaluation reserves (Note iii) HK\$'000	Available- for-sale financial assets fair value reserves HK\$'000	Employee share- based compensation reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2010	7,765,670	(2,478,559)	118,103	965,036	797,239	354,580	6,256	2,375,212	9,903,537
<b>Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	-	1,006,890	1,006,890
<b>Other comprehensive income</b>									
Currency translation differences	-	20,411	2,781	435,327	13,155	232	-	-	471,906
Share of reserves of:									
- jointly controlled entities	-	-	2	14,075	-	-	-	-	14,077
- associates	-	-	956	(62,490)	-	29,454	(885)	-	(32,965)
Available-for-sale financial assets									
- Changes in fair value	-	-	-	-	-	719	-	-	719
- Deferred tax on fair value gain	-	-	-	-	-	(208)	-	-	(208)
- Impairment losses removed from equity and recognised in the consolidated statement of comprehensive income	-	-	-	-	-	5,671	-	-	5,671
Disposals of subsidiaries									
- Release	-	-	-	(34,744)	-	-	-	-	(34,744)
- Transfer	-	104,779	(16,862)	-	(43,928)	-	-	(43,989)	-
Release upon disposals of jointly controlled entities	-	-	-	(40,000)	-	-	-	-	(40,000)
Balance at 31 December 2010	7,765,670	(2,353,369)	104,980	1,277,204	766,466	390,448	5,371	3,338,113	11,294,883

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 Reserves (Continued)

#### (a) Group (Continued)

Note:

- (i) Capital reserve mainly represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration of the acquisition in 1996.
- (ii) Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, jointly controlled entities and associates in China. As stipulated by regulations in China, the Company's subsidiaries, jointly controlled entities and associates established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital.
- (iii) The asset revaluation reserve represents the fair value gain attributable to the 40% equity interest in GNSR Expressway Co., Ltd. previously held by the Group relating to the acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd in 2007.

#### (b) Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2010	7,765,670	(8,090,270)	(324,600)
Comprehensive income:			
Profit for the year	-	317,323	317,323
At 31 December 2010	<u>7,765,670</u>	<u>(7,772,947)</u>	<u>(7,277)</u>
At 1 January 2011	7,765,670	(7,772,947)	(7,277)
Comprehensive income:			
Profit for the year	-	150,524	150,524
At 31 December 2011	<u>7,765,670</u>	<u>(7,622,423)</u>	<u>143,247</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**29 Borrowings**

	<u>Group</u>		<u>Company</u>	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current portion</b>				
Syndicated loans - secured	3,629,333	2,118,692	3,629,333	2,118,693
Long-term bank borrowings - secured	4,188,171	-	-	-
Long-term bank borrowings - unsecured	1,762,018	1,979,147	1,450,018	497,083
Notes payable (Note (c))	988,300	-	988,300	-
Loans from non-controlling interests (Note (b))	144,784	247,401	-	-
	<u>10,712,606</u>	<u>4,345,240</u>	<u>6,067,651</u>	<u>2,615,776</u>
<b>Current portion</b>				
Current portion of syndicated loans - secured	65,520	2,923,548	65,520	2,923,548
Current portion of long-term bank borrowings - secured	468,521	-	-	-
Current portion of long-term bank borrowings - unsecured	-	684,285	-	-
Short-term bank borrowings - Unsecured	-	4,000	-	-
Loan from non-controlling interests (Note (b))	216,697	-	-	-
Loans from related companies - unsecured (Note (a))	103,547	103,547	103,547	103,547
Other loans (Note (d))	52,646	-	-	-
	<u>906,931</u>	<u>3,715,380</u>	<u>169,067</u>	<u>3,027,095</u>
	<u>11,619,537</u>	<u>8,060,620</u>	<u>6,236,718</u>	<u>5,642,871</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**29**

**Borrowings (Continued)**

The maturity of borrowings is as follows:

**Group:**

	Syndicated loans and bank borrowings		Loans from related companies		Other loans		Notes payable		Loans from non-controlling interests	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
With no fixed repayment terms	-	-	103,547	103,547	-	-	-	-	-	-
Within one year	534,041	3,611,833	-	-	52,646	-	-	-	216,697	-
In the second to fifth year	7,030,342	2,898,414	-	-	-	-	-	-	144,784	247,401
Over five years	2,549,180	1,199,425	-	-	-	-	988,300	-	-	-
	<u>10,113,563</u>	<u>7,709,672</u>	<u>103,547</u>	<u>103,547</u>	<u>52,646</u>	<u>-</u>	<u>988,300</u>	<u>-</u>	<u>361,481</u>	<u>247,401</u>

**Company:**

	Syndicated loans and bank borrowings		Loans from related companies		Notes payable	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
With no fixed repayment terms	-	-	103,547	103,547	-	-
Within one year	65,520	2,923,548	-	-	-	-
In the second to fifth year	5,079,351	2,615,776	-	-	-	-
Over five years	-	-	-	-	988,300	-
	<u>5,144,871</u>	<u>5,539,324</u>	<u>103,547</u>	<u>103,547</u>	<u>988,300</u>	<u>-</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**29 Borrowings (Continued)**

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollars	6,183,243	5,593,396	6,183,243	5,589,396
Renminbi	5,070,819	2,413,749	-	-
United States dollars	312,000	-	-	-
Australian dollars	53,475	53,475	53,475	53,475
	<u>11,619,537</u>	<u>8,060,620</u>	<u>6,236,718</u>	<u>5,642,871</u>

The effective interest rates per annum at the end of the reporting period were as follows:

**Group:**

	2011		2010	
	HK\$	RMB	HK\$	RMB
Syndicated loans and bank borrowings	2.44%	5.89%	1.86%	5.34%
Loans from related companies	4.50%	-	4.50%	-
Other loans	-	5.89%	-	-
Notes payable	6.40%	-	-	-
Loans from non-controlling interests	-	6.56%	-	5.81%

**Company:**

	2011	2010
Syndicated loans and bank borrowings	2.44%	1.86%
Loans from related companies	4.50%	4.50%
Notes payable	6.40%	-

Notes:

- (a) Except for the balances of approximately HK\$102 million (2010: HK\$102 million), including all Australian dollars borrowings which are interest-free, the remaining balances are interest bearing and the interest rates are disclosed above.
- (b) For non-current portion, except for the loans from non-controlling interests of certain subsidiaries of approximately HK\$96,214,000 (HK\$Nil) which are unsecured, interest bearing in the range of 6.31% to 7.05%, the remaining balances are interest-free. The carrying amounts of interest-free loans of approximately HK\$48,570,000 (2010: HK\$247,401,000) which are calculated based on cash flows discounted at a rate of 6.56% (2010: 5.81%) per annum and approximate their fair values.

For current portion, the amounts are unsecured, interest free and repayable on demand.

- (c) On 30 December 2011, the Company issued 6.40% notes of HK\$1,000 million. Unless previously redeemed or purchased or cancelled, the notes could be redeemed by the Company at its principal amount on 30 December 2019 (the maturity date of the notes).
- (d) The other loans represent the short-term borrowings from two third parties of the Group which are secured by intangible operating rights of the Group (Note 15) and bear interests at 5.89%.



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Borrowings (Continued)

(e) The carrying amounts of borrowings approximate their fair values.

### 30 Deferred income tax

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when deferred income taxes related to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group			
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax assets				
- Hong Kong profits tax	2,590	6,925		
	<u>2,590</u>	<u>6,925</u>		
	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities				
- Hong Kong profits tax	15,745	12,919	-	-
- PRC corporate income tax	1,941,238	1,792,222	-	-
- PRC capital gain tax	26,850	26,850	-	-
	<u>1,983,833</u>	<u>1,831,991</u>	<u>-</u>	<u>-</u>

The gross movements on the deferred income tax account are as follows:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	1,825,066	1,614,357	-	10,018
Currency translation differences	87,707	54,176	-	-
Tax charged /(credited) charged to statement of comprehensive income				
- continuing operations (Note 11)	9,728	(5,845)	-	(10,018)
- discontinued operations	-	(27)	-	-
Acquisition of subsidiaries (Note 39)	119,441	179,822	-	-
Disposal of jointly controlled entities (Note 40)	-	26,850	-	-
Disposal of intangible rights	-	(7,342)	-	-
Tax (credited)/charged to available-for-sale financial assets fair value reserves (Note 28(a))	(1,619)	208	-	-
Transferred to current income tax liabilities	(59,080)	(37,133)	-	-
End of the year	<u>1,981,243</u>	<u>1,825,066</u>	<u>-</u>	<u>-</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Deferred income tax (Continued)**

**(a) Group**

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets:

	Decelerated depreciation of property, plant and equipment HK\$'000	Tax losses HK\$'000	Provisions HK\$'000	Total HK\$'000
At 1 January 2010	2,424	17,909	2,303	22,636
Charged to consolidated statement of comprehensive income	(325)	(13,287)	-	(13,612)
At 31 December 2010	<u>2,099</u>	<u>4,622</u>	<u>2,303</u>	<u>9,024</u>
At 1 January 2011	2,099	4,622	2,303	9,024
Credited to consolidated statement of comprehensive income	10	22,109	-	22,119
Exchange difference	-	328	-	328
At 31 December 2011	<u>2,109</u>	<u>27,059</u>	<u>2,303</u>	<u>31,471</u>
			2011 HK\$'000	2010 HK\$'000
Deferred income tax assets to be recovered after more than 12 months			15,160	9,024
Deferred income tax assets to be recovered within 12 months			<u>16,311</u>	<u>-</u>
			<u>31,471</u>	<u>9,024</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Deferred income tax (Continued)**

**(a) Group (Continued)**

Deferred tax liabilities:

	Undistributed profits of subsidiaries and associates HK\$'000	Fair value gains on interest in toll highway arising from acquisition of subsidiaries HK\$'000	Accelerated amortisation of intangible operating rights HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2010	63,536	1,383,848	149,117	23,433	17,059	1,636,993
Currency translation differences	2,362	46,435	5,379	-	-	54,176
Acquisition of a subsidiary (Note 39(b))	-	179,822	-	-	-	179,822
Disposal of jointly controlled entities	-	-	-	-	26,850	26,850
Disposal of intangible operating rights	-	-	(7,342)	-	-	(7,342)
Charged/(credited) to consolidated statement of comprehensive income	47,979	(82,215)	23,167	(8,415)	-	(19,484)
Transferred to current income tax liabilities	(37,133)	-	-	-	-	(37,133)
Charged to available-for-sale financial assets fair value reserves (Note 28)	-	-	-	-	208	208
At 31 December 2010	<u>76,744</u>	<u>1,527,890</u>	<u>170,321</u>	<u>15,018</u>	<u>44,117</u>	<u>1,834,090</u>
At 1 January 2011	76,744	1,527,890	170,321	15,018	44,117	1,834,090
Currency translation differences	3,596	74,982	9,457	-	-	88,035
Acquisition of a subsidiary (Note 39(a))	-	119,441	-	-	-	119,441
Charged/(credited) to consolidated statement of comprehensive income	49,081	(56,742)	36,672	2,836	-	31,847
Transferred to current income tax liabilities	(59,080)	-	-	-	-	(59,080)
Charged to available-for-sale financial assets fair value reserves (Note 28)	-	-	-	-	(1,619)	(1,619)
At 31 December 2011	<u>70,341</u>	<u>1,665,571</u>	<u>216,450</u>	<u>17,854</u>	<u>42,498</u>	<u>2,012,714</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Deferred income tax (Continued)**

(a) Group (Continued)

	2011 HK\$'000	2010 HK\$'000
Deferred income tax liabilities to be recovered after more than 12 months	1,931,450	1,800,740
Deferred income tax liabilities to be recovered within 12 months	81,264	33,350
	<u>2,012,714</u>	<u>1,834,090</u>

Deferred income tax assets are recognised for tax losses carry-forwards and other temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

At 31 December 2011, the Group did not recognise deferred income tax assets in respect of tax losses arising from Hong Kong profits tax amounting to approximately HK\$64,686,000 (2010: HK\$23,211,000) and tax losses arising from China amounting to approximately HK\$596,119,000 (2010: HK\$232,747,000). Details of unrecognised deferred tax assets are as follows:

	Tax losses	
	2011 HK\$	2010 HK\$
Arising in:		
Hong Kong	10,673	3,830
China	149,030	51,690
	<u>159,703</u>	<u>55,520</u>

Tax losses arising from Hong Kong profits have no expiry date while the tax losses from China will be expired in 5 years, details of expiry of tax losses is as follows:

	2011 HK\$'000	2010 HK\$'000
Expiring in:		
2011	-	47,971
2012	48,055	28,102
2013	25,429	61,874
2014	64,249	18,355
2015	244,249	76,445
2016	214,137	-
	<u>596,119</u>	<u>232,747</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**30 Deferred income tax (Continued)**

**(b) Company**

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

**Deferred tax assets**

	Decelerated depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2010	(325)	-	(325)
Credited to statement of comprehensive income	-	(10,018)	(10,018)
At 31 December 2010	<u>(325)</u>	<u>(10,018)</u>	<u>(10,343)</u>
At 1 January 2011	(325)	(10,018)	(10,343)
Charged/(credited) to statement of comprehensive income	325	(2,837)	(2,512)
At 31 December 2011	<u>-</u>	<u>(12,855)</u>	<u>(12,855)</u>

**Deferred tax liabilities**

	Accelerated depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At 1 January 2010 and 31 December 2010	<u>-</u>	<u>10,343</u>	<u>10,343</u>
At 1 January 2011	-	10,343	10,343
Charged/(credited) to statement of comprehensive income	3,392	(880)	2,512
At 31 December 2011	<u>3,392</u>	<u>9,463</u>	<u>12,855</u>

At 31 December 2011, the Company did not recognise deferred income tax assets of approximately HK\$9,485,000 in respect of tax losses amounting to approximately HK\$57,484,000 that can be carried forward against future taxable income. Tax losses arising from Hong Kong profits tax have no expiry date.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 Trade and bill payables

The carrying amounts of the Group's trade and bill payables are denominated in the following currencies:

	2011 HK\$'000	2010 HK\$'000
United States dollars	-	5,798
Hong Kong dollars	101,321	95,631
Renminbi	86,477	113,171
	<u>187,798</u>	<u>214,600</u>

The amounts include trade payables to clients in trust accounts with authorised institutions of HK\$92 million (2010: HK\$82 million).

The carrying amounts of trade and bill payables approximate their fair values.

### 32 Amounts due from/to non-controlling interests

The amounts are unsecured, interest-free and repayable on demand. In 2010, except for amounts due to non-controlling interests of approximately HK\$2,547,000 which are denominated in Hong Kong dollars, the remaining balances are denominated in Renminbi. The carrying amounts approximate their fair values.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**33 Notes to the consolidated statement of cash flows**

Reconciliation of profit before income tax to net cash generated from operations is as follows:

	2011 HK\$'000	2010 HK\$'000
Profit before income tax from:		
- continuing operations	3,894,044	1,201,238
- discontinued operations	(222,488)	(581,229)
	<hr/>	<hr/>
	3,671,556	620,009
Finance income	(31,503)	(47,945)
Finance costs	329,462	148,938
Share of profits less losses of:		
- jointly controlled entities	(20,815)	(108,898)
- associates	(3,191,775)	(697,947)
Dividend income	(6,325)	(26,000)
Negative goodwill arising from further acquisition of an associate	(77,018)	(45,620)
Fair value losses/(gains) on financial assets at fair value through profit or loss	6,656	(1,911)
Fair value loss on derivative financial instrument	6,810	-
Losses/(gains) on disposals of subsidiaries, net	227,839	(46,466)
Gain on deemed disposal of subsidiaries	-	(816,114)
Gain on disposals of jointly controlled entities	-	(268,496)
Losses/(gains) on disposals of financial assets at fair value through profit or loss	1,247	(42)
Gains on disposals of available-for-sale financial assets	-	(60)
Provision for impairment of available-for-sale financial assets	-	38,859
Depreciation of property, plant and equipment	36,768	127,689
Gains on disposals of leasehold land and land use rights and property, plant and equipment	(10,472)	(2,441)
Provision for impairment of property, plant and equipment	-	1,794,809
Write off of property, plant and equipment	721	-
Fair value gains on investment properties	(14,219)	(1,861)
Gains on disposals of investment properties	(2,747)	-
Impairment loss on goodwill	1,952	-
Loss on disposal of toll roads	-	103,698
Amortisation of intangible assets	331,300	321,530
Amortisation of leasehold land and land use rights	264	528
Reversal of provision for other receivables	(3,376)	(3,473)
	<hr/>	<hr/>
Net cash generated from operations before changes in working capital	1,256,325	1,088,786
	<hr/>	<hr/>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**33 Notes to the consolidated statement of cash flows (Continued)**

Reconciliation of profit before income tax to net cash generated from operations is as follows:  
(Continued)

	2011 HK\$'000	2010 HK\$'000
Net cash generated from operations before changes in working capital	1,256,325	1,088,786
Changes in working capital:		
Inventories	(7,041)	(126,186)
Amounts due from jointly controlled entities	-	(17,553)
Amounts due from related companies	(945)	713,032
Trade receivables, prepayments and other receivables	520,870	(260,273)
Trade and bill payables, other payables and accruals	(172,051)	148,915
Client trust bank balances	(23,568)	(16,123)
Net cash generated from operations	1,573,590	1,530,598

**34 Disposal group**

**(a) Disposal of Taihe Highways Limited**

The Taihe toll station of Guangcong Highway Section I, a class I highway held by Guangzhou Taihe Highways Development Company Limited ("Taihe Highways Limited"), was closed down in January 2009 for relocation at the request of the Guangzhou Government. On 1 December 2009, the China joint venture partner of Taihe Highways Limited, namely Guangzhou Highways Development Company ("GHDC") and the Group entered into compensation agreements whereby GHDC would acquire the Group's entire 80% equity interest in and net receivable from Taihe Highways Limited with consideration of additional equity interests of 35% and 39% in Guangzhou Xinguang Highways Development Company Limited ("Xinguang") and Guangzhou Tailong Highways Development Company Limited ("Tailong") respectively and assignment of debts of approximately HK\$121,800,000 and approximately HK\$73,800,000 due from Xinguang and Tailong respectively to the Group. The disposal was completed on 28 October 2010. Approximately HK\$44,096,000 gain was recorded by the Group as a result of the disposal (Note 6).

The results of Taihe Highways Limited for the year since it was classified as a disposal group and up to the completion date were as follows:

	2010 HK\$'000
Revenue	134
Expenses	(3,805)
Loss for the year of disposal group	(3,671)



**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**34 Disposal group (Continued)**

(a) Disposal of Taihe Highways Limited (Continued)

The Group disposed of its 80% interest in Taihe Highways Limited

	HK\$'000	HK\$'000
Total consideration satisfied by:		
Equity interests of 35% and 39% in Xinguang and Tailong		54,719
Loan receivables due from Xinguang and Tailong		198,928
		<u>253,647</u>
Net assets of Taihe Highways Limited		
Cash and cash equivalents	7,500	
Interests in toll highways and bridges	282,487	
Property, plant and equipment	95	
Other receivables, deposits and prepayments	47	
Amount due to the Group	(108,406)	
Borrowings	(18,439)	
Deferred income tax liabilities	(5,647)	
	<u>157,637</u>	
Net assets of Taihe Highways Limited		126,110
80% of net assets of Taihe Highways Limited		
Other item disposed of pursuant to the agreement		108,406
Amount due to the Group		<u>234,516</u>
Total net assets disposed		
		19,131
Gain on disposal before release of exchange reserve		
Add: exchange reserve released to profit and loss upon disposal		24,965
		<u>44,096</u>
Gain on disposal of 80% interest in Taihe Highway Limited		
		<u>(7,500)</u>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 Disposal group (Continued)

- (b) In April 2010, the Group disposed of the entire equity interests in Yue Xiu Enterprises (Thailand) Co. Ltd, a subsidiary of the Group, to a third party. Details of the net assets disposed of and the gain on disposal are as follows:

	2010 HK\$'000
Assets and liabilities disposed of:	
Interests in associates	(21,376)
Amount due from an associate	(7,554)
Trade payables	3,620
Other payables and accruals	7
Loan from a related company	2,603
Net assets disposed of	(22,700)
Consideration:	
Cash received	26,699
Gain on disposal of a subsidiary	3,999
Release of exchange reserve	(1,629)
Net gain on disposal of a subsidiary	2,370

### 35 Securities for banking facilities

The banking facilities granted by banks to the Group and the Company as at 31 December 2011 were secured by the following:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Property, plant and equipment				
- land and buildings	59,886	79,766	19,495	18,645
- construction in progress	360,775	-	-	-
Intangible operating rights	13,288,014	8,943,928	-	-
Investment properties	130,769	116,462	80,160	84,750
Pledged bank balances and deposits	14,349	5,498	8,875	28
Trade receivables	-	65,341	-	-
Inventories	-	111,105	-	-

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Commitments under operating leases

The Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Not later than one year	1,806	2,932	-	-
Later than one year but no later than five years	1,447	2,107	-	-
	<u>3,253</u>	<u>5,039</u>	<u>-</u>	<u>-</u>

The Group and the Company had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within one year	5,591	2,104	2,178	510
Later than one year but no later than five years	4,687	389	2,058	261
	<u>10,278</u>	<u>2,493</u>	<u>4,236</u>	<u>771</u>

### 37 Capital commitments

#### Group:

	2011 HK\$'000	2010 HK\$'000
Authorised but not contracted for:		
- upgrade and construction of toll expressways under concession arrangements	222,440	199,685
- property, plant and equipment	248	-
	<u>222,688</u>	<u>199,685</u>
Contracted but not provided for:		
- upgrade and construction of toll expressways under concession arrangements	276,534	109,909
- property, plant and equipment	1,362	6,883
	<u>277,896</u>	<u>116,792</u>

On 29 October 2011, the Group entered into an agreement with two independent third parties to the Group, whereas the Group conditionally agreed to acquire 100% equity interest in certain companies which operates an expressway in Yanling, the China (the "Targets"). Considerations included cash consideration of approximately HK\$1,309.4 million and certain debts of the Targets due to their shareholders which would be assumed by the Group. The transaction has not been completed as the new business license of the Targets has not been issued by the relevant registration authority at 31 December 2011.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**38 Guarantees**

**Company:**

	2011		2010	
	Outstanding HK\$'000	Utilised HK\$'000	Outstanding HK\$'000	Utilised HK\$'000
Guarantees for banking and loan facilities granted to subsidiaries	<u>55,889</u>	<u>53,889</u>	<u>84,889</u>	<u>82,889</u>

**39 Business combinations**

**(a) Business combination in 2011**

On 21 December 2010, the Group entered into an agreement with 湖南中和威特投資有限公司 (Hunan Zhonghe Weite Investment Company Limited<sup>1</sup>) and 武漢奧深科技集團有限公司 (Wuhan Aoshen Technology Group Company Limited<sup>1</sup>), each an independent third party, whereby the Group has conditionally agreed to acquire 90% of the equity interest in 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited<sup>1</sup>) at a provisional cash consideration of approximately HKD1,348 million and the consideration has been finalised in December 2011. This transaction was completed on 27 June 2011.

Details of the net assets acquired and goodwill are as follows:

	Finalised amount HK\$'000
Purchase consideration:	
Cash paid and payable	1,141,396
Fair value of net identifiable assets acquired (see below)	<u>(1,129,767)</u>
Goodwill	<u>11,629</u>

The goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 90% equity interest in 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited<sup>1</sup>).

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**39 Business combinations (Continued)**

**(a) Business combination in 2011 (Continued)**

Recognised amounts of identifiable assets acquired and liabilities assumed were as follows:

	Finalised amount HK\$'000
Cash and cash equivalents	6,228
Property, plant and equipment (note 16)	1,959
Intangible operating rights (note 15)	3,803,338
Other receivables, deposits and prepayments	127,866
Trade payables and accrued charges	(307,817)
Amount due to a non-controlling interest	(57,656)
Interest payable	(13,413)
Borrowings	(2,185,765)
Deferred income tax liabilities (note 30)	(119,441)
Net identifiable assets acquired	<u>1,255,299</u>
Net identifiable assets attributable to the 90% equity interest acquired by the Group	<u>1,129,767</u>

The purchase consideration would be settled by the Group in 2011 and 2012 in three installments. Up to 31 December 2011, HK\$987,772,000 was paid.

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary

	2011 HK\$'000
Cash paid	(987,772)
Cash and bank balances acquired	6,228
	<u>(981,544)</u>

**(b) Business combination in 2010**

On 20 October 2010, the Group entered into an equity transfer agreement with independent third parties in connection with the acquisition of 90% equity interest in 湖北漢孝高速公路建設經營有限公司 (Hubei Han-Xiao Highway Construction and Operations Company Limited) ("Hubei Han-Xiao"), whose principal asset is the toll operating rights of Han-Xiao Expressway. In accordance with the aforesaid agreement, the consideration for the acquisition amounted to approximately HK\$904,849,000 and the Group has been granted with an irrevocable call option to acquire the remaining 10% equity interest in the Hubei Han-Xiao within 3 years after completion. The call option has been classified as a derivative financial instrument. The acquisition was completed on 29 December 2010.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**39 Business combinations (Continued)**

(b) Business combination in 2010 (Continued)

Details of the net assets acquired and goodwill are as follows:

	2010 HK\$'000
Purchase consideration:	
Cash payable	904,849
Fair value of net identifiable assets acquired (see below)	(753,658)
Fair value of the irrevocable call option	(10,736)
	<u>140,455</u>
Goodwill	<u>140,455</u>

The goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 90% equity interest in Hubei Han-Xiao.

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Acquiree's carrying amount HK\$'000
Cash and cash equivalents	29,808	29,808
Intangible assets (Note 15)	1,960,691	1,241,399
Property, plant and equipment (Note 16)	14,321	14,321
Amount due from a non-controlling interest	29,297	29,297
Other receivables, deposits and prepayments	405	405
Trade payables and accrued charges	(10,655)	(10,655)
Borrowings	(1,006,648)	(1,006,648)
Deferred income tax liabilities	(179,822)	-
	<u>837,397</u>	<u>297,927</u>
Net identifiable assets acquired		
	<u>837,397</u>	<u>297,927</u>
Net identifiable assets attributable to the 90% equity interest acquired by the Group	<u>753,658</u>	<u>268,135</u>

The purchase consideration of approximately HK\$904,849,000 was fully settled in 2011.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40 Discontinued operations

Discontinued operation in 2011

#### (a) Loss on disposal of Hi-Watt

In December 2011, the Group disposed of the entire equity interests in Hi-Watt Battery Industry Company Limited ("Hi-Watt"), a subsidiary of the Group, to a third party.

Details of the assets and liabilities of Hi-Watt disposed of and the loss on disposal are as follows:

	2011 HK\$'000
Assets and liabilities disposed of:	
Intangible assets (Note 15)	93
Property, plant and equipment (Note 16)	82,734
Leasehold land and land use rights (Note 18)	3,256
Available-for-sale financial assets (Note 22)	8
Inventories	118,146
Trade and other receivables	106,235
Cash and cash equivalents	39,718
Amount due to related companies	(2,971)
Amount due to the Group	(86,000)
Trade and other payables	(71,965)
Borrowings	(14,494)
Non-controlling interests	(499)
Net assets retained in Hi-Watt	174,261
Other item disposed	
Amount due to the Group	86,000
Total net assets disposed	260,261
Consideration:	
Cash received	-
Loss on disposal of a subsidiary	(260,261)
Release of exchange reserve	32,422
Net loss on disposal of Hi-Watt	(227,839)

As a result of the disposal, the Group recognised a loss on disposal of subsidiary of approximately HK\$227,839,000.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**40 Discontinued operations (Continued)**

Discontinued operation in 2011 (Continued)

(a) Loss on disposal of Hi-Watt (Continued)

Analysis of the result of discontinued operation is as follows:

	2011 HK\$'000	2010 HK\$'000
Revenue	243,221	563,401
Expenses (Note)	(234,741)	(548,286)
Gain before tax of discontinued operation	8,480	15,115
Taxation	(3,129)	(2,868)
Gain from discontinued operation	<u>5,351</u>	<u>12,247</u>
Gain/(loss) from discontinued operation attributable to:		
Owners of the parent	6,717	13,286
Non-controlling interests	(1,366)	(1,039)
	<u>5,351</u>	<u>12,247</u>
Operating cash flows	(123,880)	109,818
Investing cash flows	3,072	-
Financing cash flows	96,494	(168,190)
	<u>(24,314)</u>	<u>(58,372)</u>

Note:

	2011 HK\$'000	2010 HK\$'000
Analysed as:		
Auditor's remuneration	-	408
Depreciation of property, plant and equipment	4,812	8,501
Operating lease rentals on land and buildings	264	528
Interest expense on bank borrowings	70	98
Salaries and allowances	10,872	28,897
Retirement benefits – defined contribution plans	<u>782</u>	<u>6,241</u>



**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**40 Discontinued operations (Continued)**

Discontinued operations in 2010

**(b) Gain on disposal of GZ Paper**

In August 2010, the Group diluted 3.7% equity interests in Guangzhou Paper Co. Ltd ("GZ Paper") as a result of additional capital injection solely by the non-controlling interest of approximately HK\$115,942,000. After dilution, GZ Paper became an associate of the Group accordingly.

Details of the assets and liabilities of GZ Paper disposed of and the gain on disposal are as follows:

	2010 HK\$'000
Intangible assets	(246)
Property, plant and equipment	(1,928,045)
Leasehold land and land use rights	(52,389)
Inventories	(449,467)
Trade and other receivables	(841,679)
Amounts due from related parties	(503,472)
Cash and cash equivalents	(885,714)
Trade and other payables	678,124
Borrowings	5,527,646
Non-controlling interests	51,667
Net liabilities retained in GZ Paper	<u>1,596,425</u>
Net liabilities attributable to the 50.4% equity interest disposed of by the Group	805,133
Release of exchange reserve	10,981
Gain on disposal of GZ Paper	<u>816,114</u>

As a result of the dilution, the Group recognised gain on deemed disposal of subsidiary of approximately HK\$816,114,000.

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**40 Discontinued operations (Continued)**

Discontinued operations in 2010 (Continued)

(b) Gain on disposal of GZ Paper (Continued)

Analysis of the result of discontinued operations are as follows:

	2010 HK\$'000
Revenue	1,824,558
Expenses (Note)	(3,591,855)
	<hr/>
Loss before tax of discontinued operations	(1,767,297)
Taxation	-
	<hr/>
Loss from discontinued operations	(1,767,297)
	<hr/>
Loss from discontinued operations attributable to:	
Owners of the parent	(891,050)
Non-controlling interests	(876,247)
	<hr/>
	(1,767,297)
	<hr/>
Operating cash flows	(272,136)
Investing cash flows	328,366
Financing cash flows	492,452
	<hr/>
	548,682
	<hr/>

Note:

Analysed as:

	2010 HK\$'000
Auditor's remuneration	1,283
Depreciation of property, plant and equipment	93,980
Interest expense on bank borrowings	172,866
Salaries and allowances	38,953
Retirement benefits – defined contribution plans	5
	<hr/>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 40 Discontinued operations (Continued)

Discontinued operations in 2010 (Continued)

#### (c) Disposal of jointly controlled entities

In 2010, the Group disposed of 100% equity interests in China Century Cement Ltd, Squareal Cement Ltd and Easy Point Industrial Ltd, jointly controlled entities of the Group, to a third party with a total consideration of approximately HK\$1,240,570,000 in which approximately HK\$136,594,000 was settled against an amount due from a subsidiary. The Group recognised a gain on disposals of approximately HK\$241,646,000 for these jointly controlled entities, net of provision for capital gain tax of approximately HK\$26,850,000. The total consideration of which approximately HK\$1,130,173,000 was already settled during 2010 and 2011 and the remaining approximately HK\$110,397,000 will be settled in 2012.

Profit for the year from discontinued operations of jointly controlled entities:

	2010 HK\$'000
Gain on disposal of jointly controlled entities	241,646
Share of profits of jointly controlled entities	89,211
	<u>330,857</u>

### 41 Changes in ownership interest in a subsidiary without change of control

Acquisition of additional interest in a subsidiary

On 11 March 2011, the Group acquired an additional 10% equity interest in Cangwu Guihai Cangyu Expressway Co. Ltd ("Cangyu") at a total consideration of HK\$66.6 million. Cangyu became a wholly owned subsidiary of the Group upon completion of this acquisition. The carrying amount of the non-controlling interest in Cangyu on the date of acquisition was HK\$40.7 million. The Group recognised a decrease in non-controlling interests of HK\$40.7 million and a decrease in equity attributable to shareholders of the Company amounted to HK\$25.9 million. The effect of changes in the ownership interest in Cangyu on the equity attributable to the shareholders of the Company during the period is summarised as follows:

	2011 HK\$'000
Carrying amount of non-controlling interests acquired	40,668
Consideration paid to non-controlling interests	(66,611)
	<u>(25,943)</u>

There was no other change in ownership interest in the subsidiary without change of control in 2010.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Related party transactions

#### (a) Related parties

The Board of Directors of the Company considers that the Company's ultimate holding company is 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited), a company incorporated in the People's Republic of China.

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

#### (b) Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2011 HK\$'000	2010 HK\$'000
Interest expense to related companies	-	(3,569)
Interest income from		
- jointly controlled entities	-	15,087
- associates	912	1,505
Administrative service fees paid to an associate	(1,307)	(1,295)
Guarantee fee income received from jointly controlled entities	-	200
Dividend income received from associates classified under financial assets at fair value through profit or loss	552	2,388
Operating lease rentals paid to an associate	(3,155)	(3,048)
Rental income received from		
- a jointly controlled entity	-	284
- associates	2,148	2,148
Management fee income received from:		
- jointly controlled entities	-	200
- an associate	362	362
Reversal of provision for impairment for amount due from a related company	7,711	1,525

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**42 Related party transactions (Continued)**

(c) Balances with related parties

		Group	
	Note	2011 HK\$'000	2010 HK\$'000
<u>Jointly controlled entities</u>			
Amount due to a jointly controlled entity	(i)	(21,586)	(446)
<u>Associates</u>			
Amounts due from associates	(ii)	674,044	246,920
Less: Provision for impairment		(41,060)	(41,060)
Net amounts due from associates		632,984	205,860
Amounts due to associates	(iii)	(73,427)	(73,439)
<u>Related companies</u>			
Amounts due from related companies	(iv)	926,680	933,446
Less: Provision for impairment		(697,100)	(704,811)
Net amounts due from related companies	(v)	229,580	228,635
Less: Current portion of amounts due from related companies		(229,580)	(228,635)
Non-current portion of amounts due from related companies		-	-
Loans from related companies	29	(103,547)	(103,547)
Amounts due to related companies	(i)	(304,585)	(430,882)

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**42 Related party transactions (Continued)**

(c) Balances with related parties (Continued)

		Company	
	Note	2011 HK\$'000	2010 HK\$'000
<u>Subsidiaries</u>			
Amounts due from subsidiaries	(vi)	6,426,988	6,695,418
Less: Provision for impairment		(1,110,855)	(1,211,795)
Net amounts due from subsidiaries		<u>5,316,133</u>	<u>5,483,622</u>
Amounts due to subsidiaries	(vi)	<u>(1,390,443)</u>	<u>(729,822)</u>
<u>Associates</u>			
Amounts due from associates	(ii)	645,322	160,574
Less: Provision for impairment		(40,823)	(40,823)
Net amounts due from associates		<u>604,499</u>	<u>119,751</u>
Amounts due to associates	(iii)	<u>(1,995)</u>	<u>(1,995)</u>
<u>Related companies</u>			
Amounts due from related companies	(iv)	838,574	846,755
Less: Provision for impairment		(697,100)	(704,811)
Net amounts due from related companies	(v)	<u>141,474</u>	<u>141,944</u>
Loans from related companies	29	(103,547)	(103,547)
Amounts due to related companies	(i)	<u>(293,312)</u>	<u>(417,290)</u>

**YUE XIU ENTERPRISES (HOLDINGS) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**42 Related party transactions (Continued)**

Notes:

- (i) The amounts are unsecured, interest-free and have no fixed repayment terms. The carrying amounts approximate their fair values and are denominated in the following currencies:

Amount due to a jointly related entity:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Hong Kong dollars	-	446
Renminbi	21,586	-
	<u>21,586</u>	<u>446</u>

Amounts due to related companies:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	216,008	216,008	205,481	205,481
Renminbi	88,577	214,874	87,831	211,809
	<u>304,585</u>	<u>430,882</u>	<u>293,312</u>	<u>417,290</u>

- (ii) Except for an amount due from an associate of approximately HK\$600,000,000 (2010: HK\$57,489,000) which carries interest at 3.3% per annum, unsecured and repayable within one year (2010: Hong Kong Interbank Offered Rate ("HIBOR") plus 1% per annum, unsecured and repayable on demand), the remaining balances are interest-free, unsecured and repayable on demand. The carrying amounts approximate their fair values and are denominated in Hong Kong dollars.
- (iii) The amounts are unsecured, interest-free, repayable on demand. The carrying amounts approximate their fair values and are mainly denominated in Hong Kong dollars.
- (iv) The maximum outstanding balance during the year was:

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Maximum outstanding	<u>933,446</u>	<u>2,246,747</u>	<u>846,756</u>	<u>846,756</u>

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Related party transactions (Continued)

- (v) The amounts are unsecured, interest-free and have no fixed repayment terms. The carrying amounts approximate their fair values and are denominated in the following currencies:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Hong Kong dollars	142,042	142,515	141,474	141,944
Renminbi	87,538	86,120	-	-
	<u>229,580</u>	<u>228,635</u>	<u>141,474</u>	<u>141,944</u>

- (vi) Except for an amount due from a subsidiary of approximately HK\$95,067,000 (2010: HK\$495,228,000) which carries interest at bank prime rates plus 0.5% per annum (2010: prime rates plus 0.5% per annum and HIBOR plus 0.9%), the remaining amounts are interest-free. The balances are unsecured and repayable on demand. The carrying amounts approximate their fair values and are denominated in Hong Kong dollars.

- (d) Key management compensation

Key management represents the board of directors of the Company. The compensation paid or payable to key management for employee services is shown below:

	2011 HK\$'000	2010 HK\$'000
Other emoluments		
Salaries and allowances	2,590	3,957
Retirement benefits - defined contribution plans	98	173
	<u>2,688</u>	<u>4,130</u>

### 43 Subsequent events

On 11 April 2012, the Company entered into an agreement to issue 6.40% notes of HK\$1,000 million which will be due for repayment in 2020. As at the date of approval of the consolidated financial statements, the issuance of notes has not been completed.

### 44 Comparative figures

Certain comparative figures as set out in the consolidated financial statements and the related notes thereto have been reclassified to conform with the current year's presentations.



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries

The Company held shares/interests in the following principal subsidiaries as at 31 December:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Ablewall Limited	Hong Kong	1 Ordinary share of HK\$1 each	-	100	-	-	Investment holding
Active Chance Investment Limited.	Hong Kong	2 Ordinary shares at HK\$1 each	100	-	100	-	Investment holding
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Best Fortune Investments Limited	British Virgin Islands	100 Registered shares of US\$1 each	-	100	-	100	Investment holding
Blow Light Investments Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	100	-	100	-	Property letting
Bosworth International Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Bright Outlook Assets Ltd.	British Virgin Islands	1 Registered share of US\$1 each	-	100	-	100	Property holding
Cangwu Guihai Cangyu Expressway Co. Ltd.	China	Rmb190,925,000	-	60.65	-	54.59	Development and management of Cangyu Expressway in Guangxi
Cartelle Investment Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	100	-	100	Investment holding
China Century Cement International Limited	Bermuda	120,000 Ordinary shares of US\$0.1 each	100	-	100	-	Investment holding
China Century Oriental Hotel & Tourism Holdings (BVI) Co. Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
China Century Oriental Hotel & Tourism (Holdings) Co. Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	100	-	100	Investment holding

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Chinaway Investments Limited	British Virgin Islands	1 Registered share of US\$1 each	100	-	100	-	Investment holding
Choice Tone Ltd.	Hong Kong	1 Ordinary share of HK\$1 each	-	60.65	-	60.65	Investment holding in Tianjin Jinfu Expressway Co., Ltd, Tianjin Langdao Expressway Co., Ltd and Tianjin Yuanhong Expressway Co., Ltd.
City Fame Holdings Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
Coronation Development Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	100	-	100	Property letting
Crownwo Investments Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	-	100	-	Provision of fund service
Daytone Development Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	-	100	-	Investment holding
Dibble Investments Limited	British Virgin Islands	10 Registered shares of US\$1 each	-	100	-	100	Investment holding
Dragon Year Industries Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	100	-	100	Investment dealing
Easypower Investments Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	-	100	-	100	Investment holding
Excellence Enterprises Co., Ltd.	British Virgin Islands	1 Registered share of US\$1 each	100	-	100	-	Investment holding
Faithlink Development Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
Faithbond Investment Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
First Dynamic Limited	British Virgin Islands	1 Registered share of US\$1 each	100	-	100	-	Investment holding
Frame Bridge Enterprises Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Full Million Engineering Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	-	100	-	100	Investment holding
Grace Lord Group Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share of HK\$1 each	-	60.65	-	60.65	Investment holding in Cangwu Guihai Cangyu Expressway Co., Ltd.
Greater Lucky (H.K.) Company Limited	Hong Kong	1 Ordinary share of HK\$1 each	-	100	-	100	Tunnel Management
Greenwood Pacific Limited	British Virgin Islands	1 Registered share of US\$1 each	-	100	-	100	Investment holding
Goldkemp Investment Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	-	100	Investment holding
Goldstock International Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Goldway Development Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Guangzhou Chemicals Overseas Corporation	The Republic of Liberia	1 Registered share of US\$1 each	-	100	-	100	Investment holding
Guangzhou Investment Corporation	The Republic of Liberia	1 Bearer share of US\$1 each	-	100	-	100	Investment holding
Guangzhou Hong Kong Management Training Centre Limited	Hong Kong	N/A	100	-	100	-	Training services
Guangzhou Northern Second Ring Expressway Company Limited (Note (i))	China	Rmb900,000,000	-	36.39	-	36.39	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Securities Nominees Limited.	Hong Kong	100,000 ordinary share of HK\$1 each	-	100	-	100	Investment holding
Guangzhou Suiqiao Development Company Limited	China	Rmb1,000,000	-	60.65	-	60.65	Investment holding in Guangdong Humen Bridge Co., Ltd.

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Guangzhou Yue Peng Information Ltd.	China	Rmb260,000,000	-	60.65	-	60.65	Investment holding
Guangzhou Yue Tong Expressway Operations and Management Company	China	Rmb1,000,000	-	60.65	-	60.65	Investment holding
Haibin Development Company Limited	Hong Kong	20,000 Ordinary shares of HK\$10 each	-	100	-	100	Investment holding
Housemaster Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Hubei Han Xiao Highway Construction and Operations Company Limited	China	Rmb369,411,000	-	54.59	-	54.59	Development and management of Hubei Han Xiao Expressway
Hunan Changzhu Expressway Development Company Limited	China	Rmb929,328,460	-	54.59	-	-	Development and management of Changzhu Expressway in Hunan Province
Kinleader Company Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary share of HK\$1 each	-	60.65	-	60.65	Investment holding
Lintex Development Limited	Hong Kong	1,000 Ordinary shares of HK\$1,000 each	-	79.6	-	79.6	Property investment
Longco Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	-	100	-	100	Property investment
Monnie Luck Limited	British Virgin Islands	20 Registered shares of US\$1 each	-	100	-	100	Investment holding
Morerise Investments Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	-	100	-	100	Project investment
Morrison Pacific Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Nation Rich Limited	Hong Kong	1 Ordinary share of HK\$1 each	-	100	-	-	Investment holding
Novena Pacific Limited	British Virgin Islands	10,000 Ordinary shares of US\$1 each	-	100	-	100	Investment holding
Ontrade Holdings Limited	British Virgin Islands	1 registered share of US\$1 each	-	100	-	100	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US\$1 each	-	60.65	-	60.65	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pacific Max Industrial Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	-	100	-	100	Investment holding
Perfect Goal Development Co., Ltd.	British Virgin Islands	1 Registered share of US\$1 each	-	100	-	100	Investment holding
Perfect Mount Limited	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding in Guandong Humen Bridge Co., Ltd.
Point Star Limited	Hong Kong	1 Ordinary share of HK\$1 each	-	100	-	100	Investment dealing
Profit Optima Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding
Seaport Development Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Shaanxi Jinxiu Transport Co., Limited	China	Rmb100,000,000	-	60.65	-	60.65	Development and management of Xian- Lintong Expressway in Shaanxi Province
Shine Wah Worldwide Limited	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Skyfield Industries Limited	Hong Kong	10,000 Ordinary shares of HK\$1 each	-	60	-	60	Investment holding

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	60.65	-	60.65	Property holding
Soundyield Industries Limited (Note i)	Hong Kong	100 Ordinary shares of HK\$1 each	40	36	40	36	Investment holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US\$1 each	-	60.65	-	60.65	Investment holding in Shaanxi Jinxiu Transport Co., Ltd.
Success Bridge Industrial Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	-	100	-	Property holding
Sun Light Industrial Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	-	100	-	Investment holding
Sun Peak Enterprise Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	-	100	-	100	Investment holding
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Super Unit Investments Limited (Note i)	Hong Kong	10,000 ordinary shares at HK\$1 each	50	50	50	50	Investment holding
Tianjin Jinfu Expressway Company Limited (Note i)	China	Rmb265,200,000	-	36.39	-	36.39	Development and management of Jinbao Expressway in Tianjin
The Conqueror Capital Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	100	-	100	-	Investment holding
Unionwin Investment Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding
Unique Wealth Investment Ltd.	British Virgin Islands	1 Ordinary share of US\$1 each	-	60.65	-	60.65	Investment holding
Wuzhou Yue Xin Chishui Terminal Co., Ltd. (Note i)	China	Rmb171,000,000	-	30.94	-	-	Development and management of Wuzhou Port in Guangxi
Yue Fu Travel Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	-	100	-	100	Travel agency

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Yue Xiu Cold Storage & Warehousing Limited	Hong Kong	500 Ordinary shares of HK\$100 each	-	100	-	100	Cold storage and warehousing
Yue Xiu Finance Company Limited	Hong Kong	5,000,000 Ordinary shares of HK\$1 each	100	-	100	-	Money lending and investment holding
Yue Xiu Group Insurance Agents Company Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	100	-	100	Insurance agency and management
Yue Xiu Investment Consultants Limited (Formerly known as Southern Investment Limited)	Hong Kong	20,000,000 Ordinary share of HK\$1 each	-	100	-	100	Investment dealing
Yue Xiu HK Property Development Company Limited (Formerly known as Yue Xiu Property Company Limited)	Hong Kong	100 Ordinary shares of HK\$1 each	100	-	100	-	Investment holding
Yue Xiu Hong Kong Limited	Hong Kong	2 Ordinary shares of HK\$1 each	100	-	100	-	Investment holding
Yue Xiu Hotel & Housing Investment Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	100	-	100	-	General trading, investment holding and management services
Yue Xiu Industrial Development (Management) Limited	British Virgin Islands	9 Registered shares of US\$1 each	-	90	-	90	Investment holding
Yue Xiu International Development Limited	Hong Kong	500,000 Ordinary shares of HK\$1 each	100	-	100	-	General trading and investment holding
Yue Xiu Investment (Light Industry) Limited	Hong Kong	2 Ordinary shares of HK\$1 each	-	100	-	100	Property holding
Yue Xiu Property Development Limited	Hong Kong	100,000 Ordinary shares of HK\$100 each	100	-	100	-	Property investment and investment holding

# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 45 Principal subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2011		2010		
			Direct	Indirect	Direct	Indirect	
Yue Xiu Securities Company Limited	Hong Kong	40,000,000 Ordinary shares of HK\$1 each	-	100	-	100	Stock brokerage and provision of securities underwriting services
Yue Xiu Securities Nominees Limited (Note i)	Hong Kong	10,000 Ordinary shares of HK\$1 each	50	50	50	50	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	China	Rmb1,115,854,875	-	60.65	-	60.65	Investment holding
Yuexiu Transport Infrastructure Limited	Bermuda	1,673,162,295 Ordinary shares of HK\$0.1 each	-	60.65	-	60.65	Investment holding
Yue Wah International Transportation Company Limited	Hong Kong	1,000,000 Ordinary shares of HK\$1 each	80	-	80	-	Investment holding

The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Note:

- (i) The Group's interests in these companies are held through subsidiaries which in turn hold more than 50 percent of the issued voting share capital in these companies.



# YUE XIU ENTERPRISES (HOLDINGS) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 46 Details of principal jointly controlled entities

The Company held interests in the following principal jointly controlled entity as at 31 December:

<u>Name of jointly controlled entity</u>	<u>Place of incorporation/ establishment</u>	Effective percentage of indirect interest in ownership/voting power/ profit sharing		<u>Principal activities</u>
		<u>2011</u>	<u>2010</u>	
Guangzhou Western Second Ring Expressway Co. Ltd	China	21.2	21.2	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

### 47 Details of principal associates

The Company held interests in the following principal associates as at 31 December:

<u>Name of associate</u>	<u>Place of incorporation/ establishment</u>	Effective percentage holding		<u>Principal activities</u>
		<u>2011</u>	<u>2010</u>	
Dragon Yield Holding Limited	British Virgin Islands	49.82	48.51	Investment holding
Yuxiu Property Company Limited	Hong Kong	49.82	48.51	Investment holding