

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

HUAYU EXPRESSWAY GROUP LIMITED

華昱高速集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1823)

ANNOUNCEMENT

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2025

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations for the Period was approximately RMB75.8 million, representing a decrease of approximately 41.1% over the corresponding period of last year.
- Gross profit for the Period was approximately RMB13.2 million, representing a decrease of approximately 54.6% over the corresponding period of last year.
- Loss attributable to the equity shareholders of the Company for the Period was approximately RMB23.3 million, as compared to the profit attributable to equity shareholders of approximately RMB11.9 million of the corresponding period of last year.
- Basic and diluted loss per share for the Period amounted to RMB5.65 cents as compared to the earnings per share of RMB2.89 cents for the corresponding period of last year.
- The Board did not recommend the payment of any interim dividends for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

The board (the “Board”) of directors (the “Directors”) of Huayu Expressway Group Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2025 (the “Period”), together with the comparative figures for the corresponding period in 2024. The interim financial results for the Period are unaudited, but have been reviewed by the Company’s auditors, Crowe (HK) CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2025	2024
	Note	RMB'000	RMB'000
Revenue	3	75,832	128,824
Cost of sales		<u>(62,585)</u>	<u>(99,654)</u>
Gross profit		13,247	29,170
Other revenue		952	2,044
Other net gain/(loss)		1,251	(675)
Administrative expenses		(18,869)	(20,011)
Selling and distribution costs		<u>(5,222)</u>	<u>(5,531)</u>
(Loss)/profit from operations		(8,641)	4,997
Finance costs	4(a)	(3,013)	(1,167)
Share of profits less losses of associates		<u>(13,807)</u>	<u>11,473</u>
(Loss)/profit before taxation	4	(25,461)	15,303
Income tax	5	<u>102</u>	<u>(1,309)</u>
(Loss)/profit for the period		<u>(25,359)</u>	<u>13,994</u>
(Loss)/profit attributable to:			
Equity shareholders of the Company		(23,320)	11,918
Non-controlling interests		<u>(2,039)</u>	<u>2,076</u>
(Loss)/profit for the period		<u>(25,359)</u>	<u>13,994</u>
Basic and diluted (loss)/earnings per share			
(RMB cents)	6	<u>(5.65)</u>	<u>2.89</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(25,359)	13,994
Other comprehensive income for the period:		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of entities comprising the Group		
not using Renminbi as functional currency	<u>(645)</u>	<u>721</u>
Total comprehensive income for the period	<u>(26,004)</u>	<u>14,715</u>
Attributable to:		
Equity shareholders of the Company	(23,965)	12,639
Non-controlling interests	<u>(2,039)</u>	<u>2,076</u>
Total comprehensive income for the period	<u>(26,004)</u>	<u>14,715</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025 – unaudited

(Expressed in Renminbi)

		30 June 2025	31 December 2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		480,377	428,974
Intangible assets – service concession arrangements		35,034	49,134
Interests in associates		144,440	163,579
Deferred tax assets		267	266
Contingent consideration receivables	7	–	20,648
Prepayments	8(b)	38,038	36,563
		698,156	699,164
Current assets			
Inventories		397,365	390,608
Value added tax receivables		45,810	40,632
Trade and other receivables	8(a)	14,121	10,393
Prepayments	8(b)	52,759	48,145
Amounts due from related parties		44,850	37,566
Contingent consideration receivables	7	21,524	545
Cash and cash equivalents		119,239	185,756
		695,668	713,645
Current liabilities			
Accruals and other payables	9	52,933	67,419
Amounts due to related parties		7,687	1,057
Contract liabilities		17,117	12,608
Bank loans and other borrowings		116,877	145,124
Lease liabilities		1,637	2,388
Current taxation		5,555	5,775
		201,806	234,371
Net current assets		493,862	479,274
Total assets less current liabilities		1,192,018	1,178,438

	30 June 2025 RMB'000	31 December 2024 RMB'000
Non-current liabilities		
Lease liabilities	100	540
Bank loans	139,493	99,469
	139,593	100,009
NET ASSETS	1,052,425	1,078,429
CAPITAL AND RESERVES		
Share capital	3,634	3,634
Reserves	723,546	747,511
Total equity attributable to equity shareholders of the Company	727,180	751,145
Non-controlling interests	325,245	327,284
TOTAL EQUITY	1,052,425	1,078,429

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 August 2025.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA.

The interim financial report is unaudited, but has been reviewed by Crowe (HK) CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amended HKFRS Accounting Standards to this interim financial report for the current accounting period:

- Amendments to HKAS 21, *Lack of Exchangeability*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

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

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

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines and of customers is as follows:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Toll income	31,052	34,052
– Sales of liquor and spirits	44,780	94,772
	75,832	128,824

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

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

(b) Segment results, assets and liabilities

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

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

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

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

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

	Six months ended 30 June 2025		
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Total RMB'000
Reportable segment revenue	<u>31,052</u>	<u>44,780</u>	<u>75,832</u>
Reportable segment profit (adjusted EBITDA)	<u>12,852</u>	<u>(11,879)</u>	<u>973</u>
Interest income from bank deposits	35	56	91
Interest expense	–	(3,001)	(3,001)
Depreciation and amortisation	(14,602)	(3,479)	(18,081)
As at 30 June 2025			
Reportable segment assets	169,502	1,233,810	1,403,312
Reportable segment liabilities	<u>6,645</u>	<u>380,239</u>	<u>386,884</u>

	Six months ended 30 June 2024		
	Qing Ping Expressway <i>RMB'000</i>	Liquor and spirits <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	34,052	94,772	128,824
Reportable segment profit (adjusted EBITDA)	15,086	24,825	39,911
Interest income from bank deposits	137	825	962
Interest expense	–	(1,135)	(1,135)
Depreciation and amortisation	(15,887)	(869)	(16,756)
As at 30 June 2024			
Reportable segment assets	176,415	1,170,246	1,346,661
Reportable segment liabilities	7,313	286,125	293,438

(c) **Reconciliations of reportable segment profit or loss**

	Six months ended 30 June	
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Reportable segment profit	973	39,911
Other revenue	636	1,752
Other net loss	314	(132)
Depreciation and amortisation	(18,413)	(16,756)
Finance costs	(3,013)	(1,135)
Unallocated head office and corporate expenses	(5,958)	(8,337)
Consolidated (loss)/profit before taxation	(25,461)	15,303

4 (LOSS)/PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2025	2024
		RMB'000	RMB'000
(a) Finance costs:			
Interest on bank loans and other borrowings	5,102	1,132	
Less: interest expense capitalised into construction in progress*	(2,141)	–	
	<u>2,961</u>	<u>1,132</u>	
Interest on lease liabilities	52	35	
	<u>3,013</u>	<u>1,167</u>	
(b) Staff costs:			
Salaries, wages and other benefits	14,729	15,800	
Contributions to defined contribution retirement plans	2,220	662	
	<u>16,949</u>	<u>16,462</u>	
(c) Other items:			
Depreciation charge			
– owned property, plant and equipment	3,089	1,061	
– right-of-use assets	1,224	568	
Amortisation	14,100	15,455	

* The borrowing costs have been capitalised at a rate of 3.65% per annum.

5 INCOME TAX

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax	(101)	1,148
Deferred tax – Origination and reversal of temporary differences	(1)	161
	<u>(102)</u>	<u>1,309</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the periods ended 30 June 2025 and 2024.
- (iii) Pursuant to the income tax rules and regulations of Mainland China, the subsidiaries in Mainland China are liable to PRC corporate income tax at a rate of 25% (six months ended 30 June 2024: 25%) on their assessable profits. Reversal and origination of temporary differences are in connection with the deductible tax losses and other deductible temporary differences.

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per shares is based on the following (loss)/profit attributable to ordinary shareholders and weighted-average number of ordinary shares in issue during the period.

(i) (Loss)/profit attributable to ordinary shareholders (basic)

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
(Loss)/profit attributable to ordinary shareholders	<u>(23,320)</u>	<u>11,918</u>

(ii) Weighted-average number of ordinary shares (basic)

	2025	2024
	'000	'000
Weighted average number of ordinary shares in issue during the period	<u>412,608</u>	<u>412,608</u>

(b) Diluted (loss)/earnings per share

There are no dilutive potential ordinary shares for the six months ended 30 June 2025 and 2024.

7 CONTINGENT CONSIDERATION RECEIVABLES

	30 June 2025 RMB'000	31 December 2024 RMB'000
At fair value:		
At beginning of the period/year	21,193	84,040
Repayment during the period/year	–	(63,086)
Fair value change	331	239
	<hr/>	<hr/>
At end of the period/year	21,524	21,193
	<hr/>	<hr/>
	30 June 2025 RMB'000	31 December 2024 RMB'000
Analysed for reporting purpose		
Contingent consideration receivables		
– Current	21,524	545
– Non-current	–	20,648
	<hr/>	<hr/>
	21,524	21,193
	<hr/>	<hr/>

Reference is made to the 2024 Annual Report of the Company. Pursuant to the Disposal Agreement, the Consideration in respect of disposal of Daoyue would be settled in three instalments and the Consideration for the Disposal are subject to an upwards or downwards adjustments (as the case may be) for the certain incidents (“Estimated Adjustments”). The first instalment of RMB444,560,000 and the second instalment of RMB63,086,000 was received during the year ended 31 December 2023 and 2024 respectively. The third instalment of the Consideration will be received upon fulfilment (or waiver) of the conditions precedent and adjusted in accordance with Estimated Adjustments as set out below (“Consideration Receivables”), the occurrence of which resulted in the adjustments to be made to the Consideration:

	RMB'000
Estimated fees for obtaining of the title registration certificate(s) of the land and properties of the Daoyue (i)	(33,361)
Net profit attributable to the Group between reference date and the Completion date (ii)	16,644
Others	(6,777)
	<hr/>
Estimated Adjustments	(23,494)
	<hr/>

- (i) The amount represents an accrual of RMB33,361,000 recognised in Daoyue for land-transferring fees, valuation fees and other fees for obtaining of the title registration certificates of a piece of occupied land, which was estimated by the relevant government authority.
- (ii) The amount represents the net profit of Daoyue attributable to the Group between the reference date of the Disposal and the Completion Date.

Accordingly, the Group recognised the Consideration Receivables as contingent consideration receivables. The contingent consideration receivables are measured at fair value, which is calculated as Consideration less Estimated Adjustments and discounted at an effective interest rate of 3% per annum.

The fair value of contingent consideration receivables is calculated as Consideration less Estimated Adjustments and discounted at an effective interest rate of 3% (31 December 2024: 3.1%) per annum by using discounted cash flow approach.

As at 30 June 2025, considering the progress of fulfilment of the conditions to the settlement of the Consideration Receivables, the directors assessed that the third instalment of Consideration Receivables will be recovered in one year.

At 30 June 2025 and 31 December 2024, the contingent consideration receivables fall into “Level 3 valuations” as defined in HKFRS 13, Fair Value Measurement. The significant unobservable input of the Level 3 valuations is the discount factor. The increase in discount rate used would also result in decrease in fair value measurement of contingent consideration receivable. A 5% increase or decrease in the discount rate used while holding all other variables constant would decrease or increase in the carrying amount of contingent consideration receivable by approximately RMB17,800 or RMB17,840 (31 December 2024: RMB33,600 or RMB33,700), respectively.

8 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	30 June 2025 RMB'000	31 December 2024 RMB'000
Trade receivables	7,524	4,840
Other receivables	6,597	5,553
	<u>14,121</u>	<u>10,393</u>

All trade receivables, based on the invoice date, are aged within three months.

(b) Prepayments

	30 June 2025 RMB'000	31 December 2024 RMB'000
Prepayments for:		
– suppliers (<i>note i</i>)	52,759	48,145
– subcontractors (<i>note ii</i>)	38,038	36,563
	<u>90,797</u>	<u>84,708</u>
Less: amounts shown under non-current assets	<u>(38,038)</u>	<u>(36,563)</u>
Amounts shown under current assets	<u>52,759</u>	<u>48,145</u>

(i) The balance mainly represents prepayment to suppliers of liquor and spirits business.

(ii) The balance represents the prepayments to subcontractors for the construction project of a winery production plant in Guizhou, PRC.

9 ACCRUALS AND OTHER PAYABLES

	30 June 2025 <i>RMB'000</i>	31 December 2024 <i>RMB'000</i>
Construction payables	38,660	49,131
Payroll and other staff benefits payable	2,944	6,976
VAT and surcharges	296	606
Other payables	11,033	10,706
	<u>52,933</u>	<u>67,419</u>

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

INTERIM DIVIDEND

The Board resolved not to declare the payment of interim dividend for the Period (six months ended 30 June 2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Due to the slackened economic growth and weak purchasing power in the People's Republic of China (the "PRC"), there were substantial declines in both the revenue and profit of the Group. During the Period, the Group recorded a revenue of approximately RMB75.8 million, decreased by about 41.1% from approximately RMB128.8 million for the corresponding period of last year.

The total toll revenue received from the First Phase of Qing Ping Expressway (the "Qing Ping Expressway") for the Period was about RMB31.1 million, decreased by about 8.8% from about RMB34.1 million for the corresponding period of 2024. The total traffic flow of the Qing Ping Expressway was about 10.3 million vehicles, decreased by about 9.7% from about 11.4 million vehicles for the corresponding period of 2024.

The revenue generated from the sales of liquor and spirits was approximately RMB44.8 million for the Period, decreased by about 52.7% from about RMB94.8 million for the corresponding period of 2024. The economic slowdown, sluggish property market and high youth unemployment dampened the discretionary spending in the PRC, particularly affecting the Chinese wine market during the Period.

Cost of sales and gross profit

The Group recorded a gross profit of approximately RMB13.2 million for the Period, decreased by about 54.8% from about RMB29.2 million for the corresponding period of last year. The decrease in gross profit was in line with the drop in the total revenue of the Group for the Period. The relevant gross profit ratio for the Period was about 17.5%, decreased by about 5.1% from about 22.6% for the corresponding period of last year.

For the Qing Ping Expressway, the segment gross profit was approximately RMB1.2 million and the gross profit ratio was about 3.9% for the Period, decreased from approximately RMB3.1 million and 9.3% for the corresponding period in 2024, respectively. The drop in the segment gross profit and gross profit ratio was mainly due to the decrease in the toll revenue during the Period.

For the trading of liquor and spirits, the segment gross profit was about RMB12.0 million and the gross profit ratio was about 26.9% for the Period, representing a decrease of about 0.6% in the gross profit ratio from 27.5% for the corresponding period of last year.

Other revenue and other net gain/(loss)

The Group recorded other revenue of approximately RMB1.0 million for the Period, as compared to an amount of approximately RMB2.0 million for the corresponding period of last year. Other revenue of the Group mainly comprised the rental income from the highway billboard advertising business and interest income from bank deposits.

In addition, the other net gain was about RMB1.3 million for the Period, as compared to the other net loss of an amount of approximately RMB0.7 million for the corresponding period of last year. Other net gain/(loss) mainly reflected the exchange gain or loss recorded during the Period.

Administrative expenses

Administrative expenses for the Period were approximately RMB18.9 million, decreased by about 5.5% from approximately RMB20.0 million for the corresponding period of last year. The decrease was mainly due to the tighter cost control during the Period in order to reduce the adverse effect of drop in sales.

Selling and distribution costs

The Group recorded selling and distribution costs of about RMB5.2 million for the Period, decreased by about 5.5% from approximately RMB5.5 million for the corresponding period of last year. The selling and distribution costs mainly comprised the advertising expenses and staff costs for the liquor and spirits trading business.

Finance costs

During the Period, the finance costs of the Group amounted to about RMB3.0 million, increased by about 150% from approximately RMB1.2 million for the corresponding period of last year. The amount was mainly utilised for the banking facility provided for the liquor and spirits trading business during the Period.

(Loss)/profit for the period

The loss for the Period amounted to approximately RMB25.4 million, as compared to the profit of approximately RMB14.0 million for the corresponding period of 2024. The turnaround from profit to loss for the Period was mainly attributable to the substantial decrease in the sales of wine and liquors due to the continuous contraction of the consumer market in the PRC.

Liquidity and financial resources

During the Period, the Group financed its operating and capital expenditures with its internal resources and bank loans and other borrowings. As at 30 June 2025, the total bank loans and other borrowings drawn by the Group amounted to approximately RMB256.4 million (as at 31 December 2024: approximately RMB244.6 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately RMB119.2 million (as at 31 December 2024: approximately RMB185.8 million).

The Group has always pursued a prudent treasury management policy and maintained its liquidity position with sufficient standby banking facilities to meet its daily operation and any demands for capital in the future development. As at 30 June 2025, the total banking facilities of the Group with the banks and other financial institutions in the PRC amounted to approximately RMB582.0 million (as at 31 December 2024: approximately RMB550 million), which were mainly for the working capital of the trading of liquor and spirits business segment. The ratio of total outstanding bank loans and other borrowings to total equity was 0.24 (as at 31 December 2024: 0.23).

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

Intangible assets – service concession arrangements

The service concession arrangements confer the right of the Group to operate the Qing Ping Expressway and receive toll fees therefrom. According to the accounting policy adopted by the Group, the amount of the intangible assets is subject to the periodical impairment review. No further impairment was recognised for the Period.

Employees and emoluments

As at 30 June 2025, the Group employed a total of 389 (as at 31 December 2024: 387) employees in the PRC and Hong Kong, which included the Management, engineers, technicians and general staff. During the Period, the Group's total expenses on the remuneration of employees amounted to approximately RMB16.9 million (six months ended 30 June 2024: approximately RMB16.5 million).

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

Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Some of the Group's cash and bank deposits are denominated in Hong Kong dollars. As at 30 June 2025, the Group had not entered into any hedging arrangements to hedge against exposure in the foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause negative financial impacts on the Group. The Management will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

PLEDGE OF ASSETS

As at 30 June 2025, the long-term secured bank loan of approximately RMB38.0 million borrowed by a subsidiary of the Company was guaranteed by the Company and a director of the subsidiary of the Company. In addition, the loan was secured by a pledge of all equity interest in Shenzhen Huayu Expressway Investment Co., Ltd., a 60% non-wholly owned subsidiary of the Company, including any interest or dividend paid for the shares.

As at 30 June 2025, the other borrowings of approximately RMB18.4 million of the Group were pledged by the Group's inventories with carrying amount of approximately RMB92.0 million.

BUSINESS REVIEW

QING PING EXPRESSWAY

During the Period, competition from the adjacent passages, increase in the number of toll-free national holidays and the slowdown of economic growth in the PRC continued affecting the performance of the Qing Ping Expressway. The total toll revenue of the Qing Ping Expressway was about RMB31.1 million for the Period, decreased by approximately 8.8% from about RMB34.1 million for the corresponding period of last year. The average traffic flow was about 1.7 million vehicles per month, decreased by about 10.5% from about 1.9 million vehicles per month for the corresponding period of last year. Average toll for the Period was about RMB3.0 per vehicle.

TRADING OF LIQUOR AND SPIRITS

Contraction of the consumer market in the PRC seriously affected the business of the trading of liquor and spirits during the Period. The Group recorded revenue of trading of liquor and spirits of approximately RMB44.8 million, decreased by approximately 52.7% from approximately RMB94.8 million for the corresponding period of last year. During the Period, although active marketing campaigns and promotions were organised to strengthen the marketing network and the efficiency of the distribution channel, inventory was still accumulated in the distribution channel. Segment loss (adjusted EBITDA) for the Period was about RMB11.9 million, as compared to segment profit (adjusted EBITDA) of about RMB24.8 million for the corresponding period of last year.

MANUFACTURING COMPLEX IN GUIZHOU RENHUI

The Group acquired three land parcels, collectively covering not less than 150,000 square meters, located and situating in Renhui city of the Guizhou Province in the PRC in 2023. The land parcels were designated for development into a winery and a comprehensive operating centre comprising wine storage and packaging facilities, offices and carpark. The construction of the above-mentioned winery and operating centre commenced in 2023 and the structural construction completed as at 30 June 2025. Final decoration work was in progress and expected to be completed by the end of 2025.

PROSPECTS

Economic slowdown and contraction of the consumer market seriously affected the Group's business for the Period. However, growth momentum is expected to accelerate in the near future, driven by the falling interest rates and a recovery in foreign demand.

For the Qing Ping Expressway, with the recovery and growth in the economic activities in Shenzhen, the traffic flow and the toll revenue are expected to grow steadily and the toll revenue is expected to become one of the major sources of steady cash inflow of the Group.

The business of trading of liquor and spirits is expected to improve in the near future after the accumulated inventory in the distribution channel was digested. The Group is confident about the performance of this business segment. With the established marketing network and efficient distribution channel, the Group will continue to make effort in the brand building for Huamaojiu. More sales and marketing activities will be arranged in the future, such as wine tasting events and promotion conferences.

Following the completion of the manufacturing facilities in Renhuai city, the Group can take advantage of the vertical integration of our wine business. Trial production has been done and the Group is now actively working on the overall design of the finished products.

With the experience of the Directors in successfully completing various PRC toll-expressway projects, and the connections and reputation established by them in the PRC, the Group will continue to tap and pursue opportunities which are consistent with its overall business strategies, and will aim to generate a satisfactory return on investment. In accordance with the said strategies, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, the Group may also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so. Furthermore, the Group will also consider extending its operation to include some other prosperous businesses once favourable opportunity appears.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of its shareholders. It has adopted the code provisions contained in the Corporate Governance Code (the "CG Code") in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with the code provisions contained in the CG Code throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “Model Code”) as its own code of conduct for securities transactions by the Directors. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code adopted by the Company throughout the Period.

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.huayu.com.hk), and the 2025 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

By Order of the Board
Huayu Expressway Group Limited
Chan Yeung Nam
Chairman

Hong Kong, 28 August 2025

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Chan Yeung Nam, Mr. Fu Jie Pin and Ms. Liu Bao Hua and three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus, Mr. Hu Lie Ge and Mr. Lam Hon Kuen.