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## **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 2013**

##### **FINANCIAL HIGHLIGHTS**

- Turnover for the six months ended 30 June 2013 (the “Period”) was approximately HK\$77.3 million, representing an increase of approximately 79.8% over the corresponding period last year.
- Gross profit for the Period was approximately HK\$48.6 million, representing an increase of approximately 132.1% over the corresponding period last year.
- Loss attributable to the equity shareholders of the Company for the Period was approximately HK\$0.3 million.
- Basic and diluted loss per share for the Period amounted to HK0.07 cents.

The board of directors (the “Board”) of Huayu Expressway Group Limited (the “Company”) hereby announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. The interim financial report for the six months ended 30 June 2013 has not been audited, but have been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the auditors of the Company.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013 – unaudited

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

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – unaudited

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 – unaudited

	<i>Note</i>	At 30 June 2013 <i>HK\$'000</i>	At 31 December 2012 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		26,602	28,765
Intangible asset – service concession arrangement		1,692,640	1,680,888
Deferred tax assets		152,235	149,556
		<u>1,871,477</u>	<u>1,859,209</u>
<b>Current assets</b>			
Prepayments and other receivables		10,428	11,896
Cash at bank and in hand		17,861	21,809
		<u>28,289</u>	<u>33,705</u>
<b>Current liabilities</b>			
Derivative financial instrument		3,432	1,966
Accruals and other payables	7	233,213	259,657
Amount due to a related company		2,802	2,306
Bank loans		612,103	601,578
		<u>851,550</u>	<u>865,507</u>
<b>Net current liabilities</b>		<u>(823,261)</u>	<u>(831,802)</u>
<b>Total assets less current liabilities</b>		<u>1,048,216</u>	<u>1,027,407</u>
<b>Non-current liabilities</b>			
Bank loan		745,708	735,047
Amount due to the controlling shareholder of the company		71,599	66,357
		<u>817,307</u>	<u>801,404</u>
<b>NET ASSETS</b>		<u>230,909</u>	<u>226,003</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		4,126	4,126
Reserves		199,854	195,891
<b>Total equity attributable to equity shareholders of the company</b>		<u>203,980</u>	<u>200,017</u>
<b>Non-controlling interests</b>		<u>26,929</u>	<u>25,986</u>
<b>TOTAL EQUITY</b>		<u>230,909</u>	<u>226,003</u>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

### 1 BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

- ii. the Group has secured a contractual right to draw down from a long-term secured bank loan facility of HK\$598,293,000 to repay the bank loan of HK\$598,293,000 when it falls due in the second half of 2013 or should it be recalled on demand by the bank. Based on the cash flow forecast, the Group expects to meet the remaining scheduled repayment obligations in the next 12 months following 30 June 2013. In addition, the Group expects to comply with bank covenants so that immediate demand for payment is not expected to be triggered;
- iii. the Group's contract retention deposits of HK\$57,202,000 as at 30 June 2013 were expected to be settled beyond 1 year after 30 June 2013;
- iv. advance receipt of HK\$92,272,000 represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;
- v. the controlling shareholder of the Company undertakes that repayment of advances of HK\$71,599,000 at 30 June 2013 will not be requested in the following 12 months; and
- vi. the Group is in the process of applying to obtain additional long term bank loan facilities to cover the additional construction cost incurred. Based on the current status of the application, the directors are confident that the Group will be successful in obtaining the approval from the bank.

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

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

### **Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

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

## **HKFRS 10, Consolidated financial statements**

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

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

## **HKFRS 12, Disclosure of interests in other entities**

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

## **HKFRS 13, Fair value measurement**

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

## **Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities**

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

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

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

### 3 TURNOVER

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

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

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

### 4 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans	<b>44,836</b>	48,208

	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
(b) Staff costs:		
Salaries, wages and other benefits	<b>9,225</b>	<b>8,517</b>
Contributions to defined contribution retirement plans	<b>1,361</b>	<b>933</b>
	<b>10,586</b>	<b>9,450</b>

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



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

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$’000</b>	HK\$’000
(c) Other items:		
Depreciation	2,751	406
Amortisation	18,189	13,790
Impairment loss of intangible asset	–	13,609
Operating lease charges in respect of rental of office premises	<u>425</u>	<u>743</u>

## 5 INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$’000</b>	HK\$’000
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>–</u>	<u>(6,453)</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 2013 and 2012.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiary in the PRC is liable to PRC corporate income tax at a rate of 25% (2012: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the Group did not have assessable profits subject to PRC corporate income tax during the periods ended 30 June 2013 and 2012.

## 6 LOSS PER SHARE

### (a) Loss per share

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

### (b) Diluted loss per share

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

## 7. ACCRUALS AND OTHER PAYABLES

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

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Turnover**

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

#### **Cost and gross profit**

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

#### **Administrative expenses**

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

#### **Finance costs**

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

#### **Loss attributable to equity shareholders of the company**

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

## **Liquidity and financial resources**

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

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

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

## **Employees and emoluments**

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

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

## **Foreign exchange risk**

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

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

## **PLEDGE OF ASSETS**

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

## **BUSINESS REVIEW**

### **Sui-Yue Expressway (Hunan Section)**

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

### **Future plans and prospects**

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

In accordance with this strategy, the Group will pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, we may also consider acquiring abandoned or half-developed infrastructure projects, as well as infrastructure projects which are already in operation, from other developers or the government if it is commercially viable to do so. In addition, we will consider developing any infrastructure-related businesses once such opportunity arises.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

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

## **CORPORATE GOVERNANCE**

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

## **EXTRACT OF INDEPENDENT REVIEW REPORT**

The following is the extract of the independent review report from the external auditors of the Company, KPMG:

### **Conclusion**

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

## **Emphasis of matter**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **AUDIT COMMITTEE**

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

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND DESPATCH OF INTERIM REPORT**

This announcement is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.huayu.com.hk](http://www.huayu.com.hk)), and the 2013 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders 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 2013

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Fu Jie Pin and Mr. Chen Min Yong and three independent non-executive Directors, namely, Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.*