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 OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- The Company was successfully listed on the main board of The Stock Exchange of Hong Kong Limited on 23 December 2009.
- Turnover for the six months ended 30 June 2010 (the "Period") was approximately HK$169.3 million, representing an increase of approximately 605.7% over the corresponding period last year.
- Gross profit for the Period was approximately HK$3.7 million, representing an increase of approximately 605.3% over the corresponding period last year.
- Loss attributable to the equity shareholders of the Company for the Period was approximately HK$5.6 million.
- Basic and diluted loss per share for the Period amounted to HK$0.0137.

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 2010, together with the comparative figures for the corresponding period in 2009. The interim financial report for the six months ended 30 June 2010 has not been audited, but have been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the auditors of the Company.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 — unaudited

		Six months ended 30 June	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**169,273**	23,988
Cost of construction services		**(165,549)**	(23,460)
Gross profit		**3,724**	528
Other revenue		**973**	39
Other net loss		**(225)**	—
Administrative expenses		**(10,469)**	(3,664)
Loss before taxation	*4*	**(5,997)**	(3,097)
Income tax credit	*5*	**96**	487
Loss for the period		**(5,901)**	(2,610)
Attributable to:			
Equity shareholders of the Company		**(5,564)**	(2,424)
Non-controlling interests		**(337)**	(186)
Loss for the period		**(5,901)**	(2,610)
Loss per share (HK$)			
Basic and diluted	*6*	**(0.0137)**	(0.0081)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 — unaudited

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Loss for the period	**(5,901)**	(2,610)
Other comprehensive income for the period:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	**2,667**	488
Total comprehensive income for the period	**(3,234)**	(2,122)
Attributable to:		
Equity shareholders of the Company	**(3,164)**	(1,985)
Non-controlling interests	**(70)**	(137)
Total comprehensive income for the period	**(3,234)**	(2,122)

CONSOLIDATED BALANCE SHEET

As at 30 June 2010 — unaudited

	At 30 June 2010 HK$'000	At 31 December 2009 HK$'000
Non-current assets		
Property, plant and equipment	**1,589**	1,716
Intangible asset — service concession arrangement	**603,922**	414,793
Prepayments	**93,353**	77,846
Deferred tax assets	**2,217**	2,086
	701,081	496,441
Current assets		
Prepayments and other receivables	**552**	597
Cash and cash equivalents	**386,794**	544,249
	387,346	544,846
Current liabilities		
Accruals and other payables	**90,075**	58,056
Amount due to a related company	**290**	536
	90,365	58,592
Net current assets	**296,981**	486,254
Total assets less current liabilities	**998,062**	982,695
Non-current liabilities		
Long-term secured bank loan	**343,800**	340,830
NET ASSETS	**654,262**	641,865
CAPITAL AND RESERVES		
Share capital	**4,126**	4,000
Reserves	**619,340**	606,999
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**623,466**	610,999
Non-controlling interests	**30,796**	30,866
TOTAL EQUITY	**654,262**	641,865

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 BASIS OF PRESENTATION AND PREPARATION

(a) General information

Huayu Expressway Group Limited ("the Company") was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of Cayman Islands. The interim financial report for the six months ended 30 June 2010 comprises the Company and its subsidiaries (collectively referred to as the "Group"). The Group are principally engaged in the construction, operation and management of an expressway in the People's Republic of China ("PRC").

Pursuant to a reorganisation ("the Reorganisation"), the Company acquired the equity interests of entities under common control and became the holding company of the subsidiaries now comprising the Group in preparing for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the Reorganisation are set out in the prospectus of the Company dated 11 December 2009 (the "Prospectus").

The shares of the Company were listed on the Stock Exchange on 23 December 2009.

(b) 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, adopted by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 27 August 2010.

The interim financial report has also been prepared in accordance with the same accounting policies adopted by the Group in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation 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:

— HKFRS 3 (revised 2008), *Business combinations*

— Amendments to HKAS 27, *Consolidated and separate financial statements*

— Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*

— Consequential amendments to HKAS 28, *Investment in associates* and HKAS 31, *Investment in joint ventures*

— Improvements to HKFRSs (2009)

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

— The impact of the majority of the revisions to HKFRS 3, HKAS 27 and HKFRS 5 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

— The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

— As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

— Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

— If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

— Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

— If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

— In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

— As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3 TURNOVER

The principal activities of the Group are construction, operation and management of an expressway in the PRC. During the period, the expressway was under construction and has not commenced operation. Turnover during the period represented revenue from construction work and project management services under the service concession arrangement.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
(a) Staff costs:		
Salaries, wages and other benefits	**4,015**	1,636
Contributions to defined contribution retirement plans	**35**	67
	4,050	1,703

Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiary, Hunan Daoyue Expressway Industry Co., Ltd., 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 $20,000. 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.

4 LOSS BEFORE TAXATION *(Continued)*

Loss before taxation is arrived at after charging: *(Continued)*

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
(b) Other items:		
Auditors' remuneration	**471**	11
Depreciation	**208**	196
Operating lease charges in respect of rental of office premises	**516**	480

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Deferred tax		
Origination and reversal of temporary differences	**(96)**	(487)

(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 period ended 30 June 2010 and 2009.

(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% (2009: 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 2010 and 2009.

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$5,564,000 (six months ended 30 June 2009: HK$2,424,000) and the weighted average of 406,790,000 (2009: 300,000,000) shares in issue during the interim period. The weighted average number of shares in issue during the period ended 30 June 2009 is based on the assumption that 300 million ordinary shares were in issue as if the shares issued at the date the Company became the holding company of the Group were outstanding throughout the period.

(b) Diluted loss per share

There were no dilutive potential ordinary shares for the six month ended 30 June 2010 and 2009, therefore, diluted loss per share is equivalent to basic loss per share.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and cost of construction services

Turnover of the Group represented revenue from construction work and project management under the Concession Agreement (as defined in the prospectus dated 11 December 2009) and there was no real cash inflow realised/realisable during the construction phase. Accordingly, turnover recorded by the Group is not cash revenue. For the six months ended 30 June 2010, the Group recorded turnover of approximately HK$169 million, more than seven times of the turnover for the corresponding period last year of approximately HK$24.0 million. With the increase in the major construction work of the Sui-Yue Expressway (Hunan Section), the Group has put in more investment and efforts in the project. As of 30 June 2010, total investment in the project was approximately HK$603.92 million.

Income tax credit and loss for the period

As the Group made further progress in the Sui-Yue Expressway (Hunan Section) project, we also incurred more expenses. However, as at 30 June 2010, the Group has still not commenced toll road operation. Accordingly, our loss for the six months ended 30 June 2010 increased by 126% to approximately HK$5.9 million from approximately HK$2.6 million for the corresponding period last year. Also, due to a larger loss before taxation for the six months ended 30 June 2010, the Group recorded deferred tax credit arising from the temporary differences from the intangible asset-service concession arrangement.

Liquidity and financial resources

During the six months ended 30 June 2010, the Group financed its operations and capital expenditures by utilising internal resources of the Company and a long-term secured bank loan. As at 30 June 2010, the total amount of bank loans drawn by the Group was about HK$344 million and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately HK$387 million.

The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with its daily operations and capital requirements. As at 30 June 2010, total available banking facilities of the Group amounted to approximately HK$928 million from China Merchants Bank, which is mainly for the construction cost of the Sui-Yue Expressway (Hunan Section), among which the amount of outstanding bank borrowings was approximately HK$344 million. The ratio of outstanding bank borrowings to the equity shareholders of the company was approximately 55%.

During the period, the Group has not entered into any interest rate swap arrangement to hedge against interest rate risks.

Employees and emoluments

As at 30 June 2010, the Group employed a total of 53 employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the six months ended 30 June 2010, the Group's total expenses on the remuneration of employees was approximately HK$4.05 million.

FINANCIAL REVIEW *(Continued)*

Employees and emoluments *(Continued)*

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 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 and settles most of its transactions in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars.

During the six months ended 30 June 2010, the Group did not enter into any hedging arrangements to hedge against its exposure to foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a material and adverse financial impact on the Group. The management will continue to monitor its foreign currency exposure and will consider taking appropriate actions including but not limited to hedging should the need arise.

Pledge of assets

The banking facilities of RMB1.1 billion (2009: RMB1.1 billion) from China Merchants Bank was secured by the pledge of the toll collection rights of Sui-Yue Expressway (Hunan Section) upon commencement of the toll road operation.

BUSINESS REVIEW

Sui-Yue Expressway (Hunan Section)

The Sui-Yue Expressway (Hunan Section) is a dual three-lane expressway with a planned length of approximately 24.08km and will be connecting the southern end of the Jing-Yue Yangtze River Highway Bridge in Daorenji Town to Kunshan in Yueyang City, and connecting to the existing Jing-Gang-Ao Expressway via Yueyang Connecting Line to reach Guangdong Province, Hong Kong and Macau. It is currently under construction which planned to be completed by the end of 2011. The Group will then operate the Sui-Yue Expressway (Hunan Section) once it is completed and open to traffic pursuant to the Concession Agreement under which the Group will have operating rights for a concession period of 27 years from the date of completion.

The construction of the project was at a more advanced stage for the six months ended 30 June 2010. As at 30 June 2010, all acquisition, demolition and resettlement process was completed. The work for the roadbed was approximately 69% completed while the foundation work of the interchange bridges was near completion.

In the second half year of 2010, we will conduct the tender process of the remaining work, including road greening, electrical engineering and building construction.

Future plans and prospects

The Group is now mainly engaged in the construction of the Sui-Yue Expressway (Hunan Section). Construction is expected to be completed by the end of 2011 and operation of the Sui-Yue Expressway (Hunan Section) and the collection of toll is expected to commence in 2012.

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 might 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.

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 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 June 2010.

AUDIT COMMITTEE

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

The audit committee of the Company has met and discussed with the external auditors of the Company, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the results of the Group for the six months ended 30 June 2010. The audit committee considered that the consolidated results of the Group for the six months ended 30 June 2010 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

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.

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) and the Company (www.huayu.com.hk) , and the 2010 Interim Report of the Company containing all the information required by the Listing Rules will be dispatched to 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, 27 August 2010

As at the date of this announcement, the Board comprises eight executive Directors, namely, Mr. Chan Yeung Nam, Mr. Mai Qing Quan, Mr. Chen Kai Shu, Mr. Fu Jie Pin, Mr. Chen Min Yong, Mr. Zhang Bo Qing, Mr. Yue Feng and Ms. Mao Hui and three independent non-executive Directors, namely, Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.