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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 OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the “Board”) of Huayu Expressway Group Limited (the “company”) hereby announce the consolidated results of the company and its subsidiaries (collectively, the “group”) for the year ended 31 December 2010, together with comparative figures for the preceding year ended 31 December 2009, as follows:

#### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Turnover</b>	4	<b>537,631</b>	205,538
Cost of construction services		<b>(525,803)</b>	(201,016)
<b>Gross profit</b>		<b>11,828</b>	4,522
Other revenue	5	<b>1,944</b>	586
Other net loss	5	<b>(955)</b>	—
Administrative expenses		<b>(24,158)</b>	(20,795)
<b>Loss from operations</b>		<b>(11,341)</b>	(15,687)
Subsidy income		<b>20</b>	—
<b>Loss before taxation</b>	6	<b>(11,321)</b>	(15,687)
Income tax (expenses) / benefit	7	<b>(314)</b>	740
<b>Loss for the year</b>		<b>(11,635)</b>	(14,947)
<b>Attributable to:</b>			
Equity shareholders of the company		<b>(12,069)</b>	(14,385)
Non-controlling interests		<b>434</b>	(562)
<b>Loss for the year</b>		<b>(11,635)</b>	(14,947)
<b>Loss per share (HK Cents)</b>			
Basic and Diluted	9	<b>(2.93)</b>	(4.76)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

	<b>2010</b> <b><i>HK\$'000</i></b>	2009 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(11,635)</b>	(14,947)
<b>Other comprehensive income for the year</b>		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	<u>15,324</u>	<u>232</u>
<b>Total comprehensive income for the year</b>	<b><u>3,689</u></b>	<b><u>(14,715)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the company	1,718	(14,177)
Non-controlling interests	<u>1,971</u>	<u>(538)</u>
<b>Total comprehensive income for the year</b>	<b><u>3,689</u></b>	<b><u>(14,715)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Note</i>	<b>2010</b> <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,845</b>	1,716
Intangible asset - service concession arrangement		<b>1,007,258</b>	414,793
Prepayments		—	77,846
Deferred tax assets		<b>1,967</b>	2,086
		<u><b>1,011,070</b></u>	<u>496,441</u>
<b>Current assets</b>			
Prepayments and other receivables	<i>10</i>	<b>85,301</b>	597
Cash and cash equivalents		<b>157,226</b>	544,249
		<u><b>242,527</b></u>	<u>544,846</u>
<b>Current liabilities</b>			
Accruals and other payables	<i>11</i>	<b>108,743</b>	58,056
Amount due to a related company		<b>424</b>	536
		<u><b>109,167</b></u>	<u>58,592</u>
<b>Net current assets</b>		<u><b>133,360</b></u>	<u>486,254</u>
<b>Total assets less current liabilities</b>		<u><b>1,144,430</b></u>	<u>982,695</u>
<b>Non-current liabilities</b>			
Long-term secured bank loan		<u><b>448,210</b></u>	<u>340,830</u>
<b>NET ASSETS</b>		<u><b>696,220</b></u>	<u>641,865</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>4,126</b>	4,000
Reserves		<b>624,222</b>	606,999
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>628,348</b>	610,999
Non-controlling interests		<b>67,872</b>	30,866
<b>TOTAL EQUITY</b>		<u><b>696,220</b></u>	<u>641,865</u>

## **NOTES TO THE FINANCIAL STATEMENT**

*(Expressed in Hong Kong dollars unless otherwise stated)*

### **1. 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 company and its subsidiaries (together “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 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 shares of the company were listed on the Stock Exchange on 23 December 2009.

The group is regarded as a continuing entity resulting from the Reorganisation under common control and has been accounted for on the basis of merger accounting. The consolidated financial statements of the group have been prepared as if the current group structure had been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the company became the holding company of the group pursuant to the Reorganisation. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and the state of affairs of the group as a whole.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Statement of Compliance**

The annual results set out in this announcement do not constitute the group’s consolidated financial statements for the year ended 31 December 2010 but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### **(b) Basis of Preparation**

The consolidated financial statements for the year ended 31 December 2010 comprise the company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocation resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The group operates in a single business segment, the construction, operation and management of an expressway, in the PRC. Accordingly, no segmental analysis is presented.

**3. CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new interpretations 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
- Improvements to HKFRSs (2009)

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 and HKAS 27 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) 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.

#### 4. TURNOVER

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

#### 5. OTHER REVENUE AND NET LOSS

	2010 HK\$'000	2009 HK\$'000
<b>Other revenue</b>		
Interest income from bank deposits	1,926	526
Other	18	60
	<u>1,944</u>	<u>586</u>
<b>Other net loss</b>		
Exchange loss	<u>955</u>	<u>—</u>

#### 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2010 HK\$'000	2009 HK\$'000
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	3,607	1,205
Interest on bank loans repayable beyond five years	<u>16,344</u>	<u>8,479</u>
Total interest expense on bank loans	19,951	9,684
Less: interest expense capitalised into intangible assets*	<u>(19,951)</u>	<u>(9,684)</u>
	<u>—</u>	<u>—</u>

\* The borrowing costs have been capitalised at a rate of 5.346%-5.760% per annum (2009: 5.346%).

	2010 HK\$'000	2009 HK\$'000
(b) Staff costs:		
Salaries, wages and other benefits	13,271	6,279
Contributions to defined contribution retirement plans	<u>532</u>	<u>612</u>
	<u>13,803</u>	<u>6,891</u>

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 \$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.

	<b>2010</b> <b>HK\$’000</b>	2009 HK\$’000
(c) Other items:		
Auditors’ remuneration		
– Audit and review services	1,600	1,117
– Other services	1,800	—
Consultancy fee	—	57
Depreciation	429	403
Operating lease charges in respect of rental of office premises	<u>1,029</u>	<u>861</u>

## 7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the Consolidated Income Statement Represents:

	<b>2010</b> <b>HK\$’000</b>	2009 HK\$’000
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>314</u>	<u>(740)</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 years ended 31 December 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 subsidiary sustained a loss for taxation purpose.

(b) Reconciliation Between Tax Expenses/(Benefit) and Accounting Loss at Applicable Tax Rates:

	2010 HK\$'000	2009 HK\$'000
Loss before taxation	<u>(11,321)</u>	<u>(15,687)</u>
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(272)	(1,190)
Tax effect on tax losses not recognised	600	451
Tax effect on non-taxable income	<u>(14)</u>	<u>(1)</u>
Income tax expenses/(benefit)	<u>314</u>	<u>(740)</u>

8. DIVIDENDS

No dividend has been declared or paid by the company since its incorporation.

9. LOSS PER SHARE

(a) Loss Per Share

	2010 '000	2009 '000
Issued ordinary shares at 1 January	400,000	—
Issuance of shares upon Reorganisation	—	300,000
Issuance of shares for placing and public offering	<u>11,986</u>	<u>2,466</u>
Weighted average number of ordinary shares at 31 December	<u>411,986</u>	<u>302,466</u>

The calculation of loss per share is based on the consolidated loss attributable to ordinary equity shareholders of the company of \$12,069,000 (2009: \$14,385,000) and the weighted average number of 411,986,000 (2009: 302,466,000) shares in issue during the year.

(b) Diluted Loss Per Share

There were no dilutive potential ordinary shares during the years presented and, therefore, diluted loss per share is equivalent to basic loss per share.

10. PREPAYMENTS AND OTHER RECEIVABLES

All of the prepayments and other receivables are expected to be recovered within one year.

11. ACCRUALS AND OTHER PAYABLES

Included in accruals and other payables as at 31 December 2010 are contract guarantee deposits and contract retention deposits to independent contractors of HK\$59,640,000 (2009: HK\$47,100,000) respectively which are expected to be settled after more than one year. All of the remaining accruals and other payables are expected to be settled within one year.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

With the continuing economic policies taken by the PRC Government to promote the infrastructure and boost the domestic demand, China maintained its high growth in the GDP in year 2010. The toll road industry can also be benefited from those economic growth.

## **FINANCIAL REVIEW**

### **Turnover and cost of construction services**

The group is mainly engaged in the construction, operation and management of the Sui-Yue Expressway (Hunan Section) in Hunan, the PRC. During the year, the expressway was under construction and has not commenced its operation. Turnover during the year represented revenue from construction work and project management services under the service concession arrangement and there was no real cash inflow realise/realisable during the construction period.

For the year ended 31 December 2010, the group recorded a turnover of approximately HK\$537.6 million, about 2.6 times of that for the year ended 31 December 2009 of approximately HK\$205.5 million. The increase in the turnover was mainly due to the increased injection of investments and efforts in the construction of the expressway of the group during the year. Total investment in the expressway project was about HK\$1,007.3 million (2009: HK\$414.8 million) as at 31 December 2010.

### **Other revenue and net loss**

The group recorded other revenue and net loss of approximately HK\$1.9 million and HK\$1.0 million (2009: HK\$0.6 million and nil) respectively. Other revenue of the group was mainly the interest income from bank deposits. The increase in other revenue was mainly because of the increase in cash deposited in banks as a result of the receipts of the IPO proceeds and the injection of capital by major shareholder near the end of 2009. Other net loss was the exchange loss incurred during the year.

### **Administrative expenses**

Administrative expenses increased by 16% from approximately HK\$20.8 million for the year ended 31 December 2009 to approximately HK\$24.2 million for the year ended 31 December 2010. Since the commencement of listing of the company's shares in the Stock Exchange near the end of 2009, the group incurred more legal consultancy fee, audit fee and some other related expenses during the year.

### **Loss for the year**

As the group made further progress in the Sui-Yue Expressway (Hunan Section) project, we recorded higher revenue from construction work and project management services under the service concession arrangement during the year. The group still has not commenced the toll road operation during the year. Accordingly, our loss for the year ended 31 December 2010 decreased by 22% from approximately HK\$14.9 million for the year ended 31 December 2009 to approximately HK\$11.6 million for the year ended 31 December 2010.

## Liquidity and financial resources

During the year ended 31 December 2010, the group financed its operations and capital expenditures by the capital of the company and long-term secured bank loan. As at 31 December 2010, total bank loan drawn by the group was about HK\$448.2 million (2009: HK\$340.8 million) and the total cash and cash equivalents, including bank deposits and cash on hand was amounted to approximately HK\$157.2 million (2009: HK\$544.2 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 daily operation and the future development demands for capital. As at 31 December 2010, total available banking facilities of the group amounted to RMB720 million from China Merchants Bank, which is mainly for the construction cost of the Sui-Yue Expressway (Hunan Section), among of which the amount of outstanding long-term secured bank loan was HK\$448.2 million (2009: HK\$340.8 million) (equivalent to RMB380 million (2009: RMB300 million)). The ratio of outstanding long-term secured bank loan to equity holders' equity was 71.3% (2009: 55.8%).

At 31 December 2010, the long-term secured bank loan is repayable as follows:

	<b>2010</b> <b>HK\$'000</b>	<b>2009</b> <b>HK\$'000</b>
After 2 years but within 5 years	<b>70,770</b>	<b>34,083</b>
After 5 years	<b>377,440</b>	<b>306,747</b>
	<b>448,210</b>	<b>340,830</b>

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

## Use of net proceeds from the initial placing and public offering

The shares of the company were listed on the Main Board of the Hong Kong Stock Exchange on 23 December 2009 with net proceeds from the initial placing and public offer of approximately HK\$115.54 million (after deducting issuing expenses). Up to 31 December 2010, all of the proceeds was used for the development costs of the Sui-Yue Expressway (Human Section) as described in the Prospectus.

## Foreign currency 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 31 December 2010, the group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the group. The management 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 asset

As at 31 December 2010, the banking facilities of RMB1.1 billion from China Merchants Bank was secured by the pledge of the toll collection right in relation to the Sui-Yue Expressway (Hunan Section), upon commencement of the toll road operation.

## Capital commitments

Capital commitments outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	2010 HK\$'000	2009 HK\$'000
Contracted for	527,119	624,098
Authorised but not contracted for	<u>566,909</u>	<u>890,423</u>

The capital commitments represent the costs for the construction of the Sui-Yue Expressway (Hunan Section).

## 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 and is 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 concession period of 27 years (excluding construction period).

The construction of the project was in a more advanced stage for the year ended 31 December 2010. As at 31 December 2010, total investment in the project was about HK\$1,007.3 million (2009: HK\$414.8 million).

## Employees and emoluments

As at 31 December 2010, the group employed a total of 51 (2009: 46) employees in the PRC and Hong Kong which included the management staff, engineers, technicians, etc. For the year ended 31 December 2010, the group's total expenses on the remuneration of employees was approximately HK\$13.8 million (2009: HK\$6.9 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 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.

The company adopted a Share Option Scheme on 30 November 2009 for the purpose of motivating eligible persons to optimize their future contributions to the group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the group. No options have been granted under the Share Option Scheme up to 31 December 2010.

## **PROSPECTS**

The Sui-Yue Expressway (Hunan Section) is one of the expressways with high economical potential in the PRC. It is strategically located in Hunan Province, which is one of the high economic growth provinces in the PRC. Also, the Sui-Yue Expressway (Hunan Section) will be an integral part of the major artery between Hunan Province and Hubei Province. Once it is completed and open to traffic, the enormous economic potential of the currently relatively limited trading between the Wuhan-Jingzhou area in Hubei Province and the Yueyang area in Hunan Province will be realised, resulting in significant vehicle turnover for the Sui-Yue Expressway (Hunan Section).

Furthermore, the Sui-Yue Expressway (Hunan Section) will connect to major expressway networks in the PRC and various feeder roads in Hunan Province. It will benefit from its connectivity to the existing and future highway and expressway networks because the usage of expressways depends on their accessibility relative to the points of origin and destination for their potential traffic.

In the shorter term, growth in traffic demand within Hunan Province will be driven by continuing economic growth in the PRC in general and by associated growth in vehicle ownership and usage. Under these premises, it is expected that traffic flow for the Sui-Yue Expressway (Hunan Section) will also show sustainable and continuous growth.

With the experience of the directors of the company (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 which will 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 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the company and within the knowledge of the Directors as at the date of this announcement, the company has maintained the prescribed public float of not less than 25% of the company’s issue shares as required under the Listing Rules for the period from the listing date to 31 December 2010.

## **PURCHASE, SALES 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 since the listing date until 31 December 2010.

## **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 year ended 31 December 2010.

## **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 by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2010.

## **REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The company established an audit committee in compliance with Rule 3.21 of the Listing Rules. The audit committee 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 comprises all 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 year ended 31 December 2010. The audit committee considered that the consolidated results of the group for the year ended 31 December 2010 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

## **DIVIDEND**

The Board does not recommend any dividend payment for the year ended 31 December 2010 at the forthcoming annual general meeting.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the company will be held in Hong Kong on 27 May 2011. Notice of the annual general meeting will be issued and dispatched to shareholder in due course. The company’s register of members will be closed from 26 May 2011 to 27 May 2011 (both days inclusive), during such period no transfer of the Shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 25 May 2011.

## **PUBLICATION OF 2010 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is also published on the websites of the company at ([www.huayu.com.hk](http://www.huayu.com.hk)), and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the 2010 annual report of the company containing all the information required by the Listing Rules will be dispatched to the company's shareholders and published on the respective websites of the company and the Stock Exchange in due course.

### **APPRECIATION**

I would like to take this opportunity to express my thanks and gratitude to the group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers and bankers for their continuous support.

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

Hong Kong, 24 March 2011

*As at the date of this announcement, the executive directors of the company are 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 the independent non-executive directors are Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.*