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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 2015

The board of directors (the “Board”) of Huayu Expressway Group Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2015, together with comparative figures for the preceding year ended 31 December 2014, as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	4	<b>180,624</b>	184,324
Cost of sales		<u>(74,156)</u>	<u>(66,267)</u>
<b>Gross profit</b>		<b>106,468</b>	118,057
Other revenue	5	568	700
Other net loss	5	(37,550)	(1,053)
Administrative expenses		(24,120)	(26,046)
Impairment loss of intangible asset-service concession arrangement		<u>(157,988)</u>	<u>–</u>
<b>(Loss)/profit from operations</b>		<b>(112,622)</b>	91,658
Finance costs	6(a)	<u>(84,801)</u>	<u>(91,088)</u>
<b>(Loss)/profit before taxation</b>	6	<b>(197,423)</b>	570
Income tax	7	<u>(2,085)</u>	<u>(2,068)</u>
<b>Loss for the year</b>		<b><u>(199,508)</u></b>	<b><u>(1,498)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		(180,707)	(2,351)
Non-controlling interests		<u>(18,801)</u>	<u>853</u>
<b>Loss for the year</b>		<b><u>(199,508)</u></b>	<b><u>(1,498)</u></b>
<b>Loss per share (HK cents)</b>			
Basic and diluted	9	<u>(43.80)</u>	<u>(0.57)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***For the year ended 31 December 2015*

	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(199,508)</b>	(1,498)
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	<u>(16,042)</u>	<u>(940)</u>
<b>Total comprehensive income for the year</b>	<b><u>(215,550)</u></b>	<b><u>(2,438)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(195,157)</b>	(3,198)
Non-controlling interests	<u>(20,393)</u>	<u>760</u>
<b>Total comprehensive income for the year</b>	<b><u>(215,550)</u></b>	<b><u>(2,438)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		15,393	19,117
Intangible asset – service concession arrangement		1,366,208	1,647,557
Deferred tax assets		139,131	149,880
		<u>1,520,732</u>	<u>1,816,554</u>
<b>Current assets</b>			
Prepayments and other receivables	10	4,533	16,343
Pledged bank deposits		14,395	–
Cash at bank and on hand		9,120	14,129
		<u>28,048</u>	<u>30,472</u>
<b>Current liabilities</b>			
Accruals and other payables	11	120,007	144,727
Amounts due to a related company		14,329	18,743
Bank loans		629,278	625,408
		<u>763,614</u>	<u>788,878</u>
<b>Net current liabilities</b>		<u>(735,566)</u>	<u>(758,406)</u>
<b>Total assets less current liabilities</b>		<u>785,166</u>	<u>1,058,148</u>
<b>Non-current liabilities</b>			
Bank loans		661,474	730,416
Amount due to the controlling shareholder of the Company		99,089	87,579
		<u>760,563</u>	<u>817,995</u>
<b>NET ASSETS</b>		<u>24,603</u>	<u>240,153</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		4,126	4,126
Reserves		11,503	206,660
<b>Total equity attributable to equity shareholders of the Company</b>		<u>15,629</u>	<u>210,786</u>
Non-controlling interests		8,974	29,367
<b>TOTAL EQUITY</b>		<u>24,603</u>	<u>240,153</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, Cap 22 (Law 3 of 1961, as consolidated and revised) of the 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”).

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

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

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.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

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

The consolidated financial statements for the year ended 31 December 2015 comprise the Group.

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.

During the year ended 31 December 2015, the Group incurred a net loss of \$199,508,000. As of 31 December 2015, the Group had net current liabilities of \$735,566,000 and accumulated losses of \$662,879,000. The Group is dependent upon the financial support from the banks and the controlling shareholder, and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments. However, the Group expects decrease in future toll revenue and rental revenue. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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 from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

- i. the Group expects to continue to generate positive operating cash flows for the next twelve months despite the decrease in future revenue;
- ii. subsequent to 31 December 2015, the Group drew down RMB494,000,000 (equivalent to \$589,638,000) from a long-term facilities and repaid current bank loans of \$602,977,000. These new bank loans are repayable from 2016 to 2027, of which RMB8,972,000 (equivalent to \$10,709,000), RMB21,466,000 (equivalent to \$25,621,000) and RMB34,287,000 (equivalent to \$40,925,000) will be due in May 2016, in November 2016 and in 2017 respectively. These bank facilities are subject to the same financial covenants as the existing bank loans;
- iii. the advance receipt of \$20,888,000 included in current liabilities represents prepayment of operating lease rental by lessees and is expected to be recognised as income rather than refunded;
- iv. the controlling shareholder of the Company has undertaken that repayment of advances of \$99,089,000 at 31 December 2015 will not be requested until after 31 December 2018 and only if the Group is in a position to meet all repayment obligations at that time;
- v. the directors has been actively negotiating with a commercial bank in the PRC for raising funds from new banking facilities, which have not yet been determined; and
- vi. the controlling shareholder confirms to provide adequate financial support to the Group as is necessary to ensure its continuing operation for a period of at least 12 months from the end of the reporting period.

Consequently, the financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

### (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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

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

### 4. REVENUE

The principal activities of the Group are construction, operation and management of Sui-Yue Expressway (Hunan Section) (the "Expressway") in the PRC.

Revenue during the year 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 revenue during the year is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Toll income	139,516	142,601
Rental income	41,108	41,723
	<u>180,624</u>	<u>184,324</u>

## 5. OTHER REVENUE AND NET LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Other revenue</b>		
Billboard rental income	532	643
Interest income from bank deposits	<u>36</u>	<u>57</u>
	<b><u>568</u></b>	<b><u>700</u></b>
<b>Other net loss</b>		
Exchange loss	(38,625)	(2,162)
Others	<u>1,075</u>	<u>1,109</u>
	<b><u>(37,550)</u></b>	<b><u>(1,053)</u></b>

## 6. (LOSS)/PROFIT BEFORE TAXATION

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans	<u>84,801</u>	<u>91,088</u>

There is no borrowing costs capitalised for the year ended 31 December 2015 (2014: Nil).

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(b) Staff costs:		
Salaries, wages and other benefits	20,760	17,132
Contributions to defined contribution retirement plans	<u>3,141</u>	<u>2,329</u>
	<b><u>23,901</u></b>	<b><u>19,461</u></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\$30,000 (HK\$25,000 prior to June 2014). 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>2015</b>	2014
	<b>HK\$’000</b>	HK\$’000
(c) Other items:		
Auditors’ remuneration		
– Audit and review services	<b>2,160</b>	2,063
Depreciation	<b>5,390</b>	5,212
Amortisation	<b>48,376</b>	43,216
Impairment loss of intangible asset		
– service concession arrangement	<b>157,988</b>	–
Operating lease charges in respect of rental of office premises	<b>107</b>	372
	<b><u>107</u></b>	<b><u>372</u></b>

## 7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	<b>2015</b>	2014
	<b>HK\$’000</b>	HK\$’000
<b>Deferred tax</b>		
Reversal and origination of temporary differences	<b>2,085</b>	2,068
	<b><u>2,085</u></b>	<b><u>2,068</u></b>

- (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 2015 and 2014.
- (iii) Pursuant to the income tax laws and regulations of the PRC, the company’s subsidiary in the PRC is liable to PRC corporate income tax at a rate of 25% (2014: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the subsidiary sustained a loss for taxation purpose. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible asset-service concession arrangement.



(b) Reconciliation between tax expenses and accounting (loss)/profit at applicable tax rates:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/profit before taxation	<u>(197,423)</u>	<u>570</u>
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	(47,180)	1,990
Tax effect on tax losses not recognised	9,737	659
Tax effect on deductible temporary differences not recognised	39,497	–
Tax effect of non-deductible expenses	31	–
Use of tax losses carried from previous years	<u>–</u>	<u>(581)</u>
Income tax	<u>2,085</u>	<u>2,068</u>

## 8. DIVIDENDS

The directors of the Company (the “Directors”) do not recommend the declaration of any final dividend for the year ended 31 December 2015 (2014: Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

	2015 <i>'000</i>	2014 <i>'000</i>
Issued ordinary shares at 1 January	<u>412,608</u>	<u>412,608</u>
Weighted average number of ordinary shares at 31 December	<u>412,608</u>	<u>412,608</u>

The calculation of basic loss per share is based on the consolidated loss attributable to ordinary equity shareholders of the Company of HK\$180,707,000 (2014: loss of HK\$2,351,000) and the weighted average number of 412,608,000 (2014: 412,608,000) 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 2015 are contract retention deposits payable to independent contractors of HK\$36,763,000 (2014: HK\$58,121,000) and construction fees payables of HK\$41,261,000 (2014: HK\$44,918,000). All of the accruals and other payables are expected to be settled or recognised as income within one year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The traffic and the toll fee revenue of the Sui-Yue Expressway (Hunan Section) (the “Expressway”) has maintained a stable level for the year ended 31 December 2015. Due to the exceptional impairment loss of intangible asset and the exchange loss, the Group incurred a loss of about HK\$199.5 million for the year ended 31 December 2015.

### **REVENUE**

For the year ended 31 December 2015, the Group recorded a revenue of approximately HK\$180.6 million, representing a decrease of 2.0% from that of approximately HK\$184.3 million for the year ended 31 December 2014. Total amount of toll fee revenue of the Expressway was about HK\$139.5 million, representing a decrease of 2.2% from about HK\$142.6 million for the year ended 31 December 2014. Average traffic of the Expressway was about 389,000 vehicles per month for the year ended 31 December 2015 (of which, about 49% were heavy vehicles), representing an increased of 12.1% from about 347,000 vehicles per month for the year ended 31 December 2014. Average toll per vehicle decreased by about 12.6% from about HK\$34.2 per vehicle for the year ended 31 December 2014 to about HK\$29.9 per vehicle for the year ended 31 December 2015. Rental income from the service area along the Expressway was about HK\$41.1 million, representing a decrease of 1.4% from about HK\$41.7 million for the year ended 31 December 2014.

### **GROSS PROFIT**

The Group had a gross profit of HK\$106.5 million for the year ended 31 December 2015, decreased by 9.8% from about HK\$118.1 million for the year ended 31 December 2014. The decrease in gross profit was mainly attributable to the increase of staff cost and the amortisation of the intangible asset – service concession arrangement of the Expressway. The gross profit ratio was about 58.9% for the year ended 31 December 2015 as compared to and 64.0% for the year ended 31 December 2014.

### **OTHER REVENUE AND OTHER NET LOSS**

The Group recorded other revenue and other net loss of approximately HK\$0.6 million and HK\$37.6 million respectively for the year ended 31 December 2015 compared to the other revenue and other net loss of approximately HK\$0.7 million and HK\$1.1 million, respectively, for the year ended 31 December 2014. Other revenue of the Group was mainly the rental income from the billboard along the Expressway and interest income from bank deposits. Other net loss mainly represented the exchange loss recorded in the books of a PRC subsidiary resulting from the year end translation of a Hong Kong dollar denominated bank loan to RMB. Since there has been a continuous depreciation of RMB against Hong Kong dollars, the loan was subsequently replaced by a RMB denominated long-term bank loan in February 2016 in order to reduce the currency risk exposure of the Group.

### **ADMINISTRATIVE EXPENSES**

Administrative expenses for the year ended 31 December 2015 was approximately HK\$24.1 million, decreased by 7.3% from that for the year ended 31 December 2014. The decrease was mainly due to the cost saving action such as the reduction of numbers of middle management staff.

## **IMPAIRMENT LOSS OF INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT**

The Group has entered into contractual service arrangement with local government authorities for its participation in the construction, operation and management of the Expressway. According to the accounting policy of the Group, internal and external sources of information are reviewed at the end of each reporting period to identify indications that the assets may be impaired. For the year ended 31 December 2015, the actual toll revenue of the Expressway was about 5.1% lower than the amount previously projected in March 2015, which was mainly due to the impact of traffic restriction in Hunan Province regarding motor vehicles (including measures to raise the toll rate for the overloading portion of trucks, and impose higher penalty for traffic violations). In addition, the Group is negotiating with the lessee on the renewal of rental agreement of the service areas within the Expressway. It is estimated that the rental revenue to be generated from service areas within the Expressway will be lower than the amount previously projected in March 2015, which is mainly due to the downturn of the economic environment in the PRC. As a result, an impairment loss of about HK\$158.0 million was recorded for the year, which is about 7.1% of the total cost of the Expressway.

## **FINANCE COSTS**

For the year ended 31 December 2015, the finance costs of the Group was about HK\$84.8 million, representing a decrease of 6.9% from approximately HK\$91.1 million for the year ended 31 December 2014. The decrease was mainly due to the fluctuation of effective bank loan interest rate.

## **LOSS FOR THE YEAR**

As the Group incurred significant amounts of exchange loss of about HK\$38.6 million due to the depreciation of RMB against Hong Kong Dollar and impairment loss of intangible asset of about HK\$158.0 million, the Group recorded a loss of approximately HK\$199.5 million for the year ended 31 December 2015, compared to approximately HK\$1.5 million for the year ended 31 December 2014.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 December 2015, the Group financed its operations and capital expenditures by the capital of the Company, long-term secured bank loans and interest free loan from controlling shareholder. As at 31 December 2015, total bank loans drawn by the Group was about HK\$1,290.8 million (2014: HK\$1,355.8 million), the amount due to the controlling Shareholder of the Company was HK\$99.1 million (2014: HK\$87.6 million) and the total cash and cash equivalents, including bank deposits and cash on hand, amounted to approximately HK\$9.1 million (2014: HK\$14.1 million).

The Group has always pursued a prudent treasury management policy and actively manages its liquidity position with sufficient standby banking facilities to cope with daily operation and any demands for capital for future development. As at 31 December 2015, total available banking facilities of the Group amounted to HK\$1,313.0 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\$1,290.8 million (2014: HK\$1,355.8 million). The ratio of outstanding bank loans to equity holders' equity was 8,259.0% (2014: 643.2%).

As at 31 December 2015, the bank loans are repayable as follows:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 year or on demand	<b>629,278</b>	625,408
After 1 year but within 2 years	<b>32,877</b>	27,932
After 2 years but within 5 years	<b>138,084</b>	125,695
After 5 years	<b>490,513</b>	576,789
	<b><u>1,290,752</u></b>	<u>1,355,824</u>

The Group's borrowings were mainly arranged on a floating rate basis. As at 31 December 2015, the Group did not enter into any hedging arrangements to hedge against exposure in interest risk.

### **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 2015, 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 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 arise.

For the year ended 31 December 2015, the Group incurred an exchange loss of about HK\$37.6 million which represented the loss recorded in the books of a PRC subsidiary resulting from the year end translation of a Hong Kong dollar denominated bank loan to RMB. Since there has been a continuous depreciation of RMB against Hong Kong dollars, the loan was subsequently replaced by a RMB denominated bank loan in February 2016 in order to reduce the currency risk exposure of the Group.

### **PLEDGE OF ASSETS**

As at 31 December 2015, the bank loans of HK\$1,290.8 million from China Merchants Bank and Wing Lung Bank Limited was secured by the pledge of the toll collection right in relation to the Expressway.

### **CAPITAL COMMITMENTS**

As at 31 December 2015, there was no material capital commitments outstanding for the Company.

## **BUSINESS REVIEW**

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

Even with the economic downturn in the PRC and specific traffic restrictions in Hunan Province regarding motor vehicles, including measures to raise the toll rate for the overloading portion of trucks and impose higher penalty for traffic violations, there was an increase of approximately 12.1% in average traffic from about 347,000 vehicles per month for the year ended 31 December 2014 to 389,000 vehicles per month for the year ended 31 December 2015. Transportation network improvement around the Expressway caused a slight diversion which impacted on the traffic of the Expressway. Since there was a decrease in the percentage of overloading heavy vehicles, the average toll revenue per vehicles decreased from about HK\$34.2 for the year ended 31 December 2014 to about HK\$29.9 for the year ended 31 December 2015. As a result, the total toll revenue decreased slightly by about 2.2% to HK\$139.5 million for the year ended 31 December 2015. The overall performance of the Expressway was satisfactory. In addition, the rental income from the service area along the Expressway contributed significantly to the revenue of the Group.

### **Employees and emoluments**

As at 31 December 2015, the Group employed a total of 248 (2014: 246) employees in the PRC and Hong Kong which included management staff, engineers, technicians, etc. For the year ended 31 December 2015, the Group's total expenses on the remuneration of employees was approximately HK\$23.9 million (2014: HK\$19.5 million).

The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the MPF Scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) and the 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 as at 31 December 2015.

## **PROSPECTS**

The Expressway is one of the expressways with high economic 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 Expressway will be an integral part of the major artery between Hunan Province and Hubei Province. With the outperformed growth in GDP in Hunan Province at 8.6% in 2015, the management of the Company are full of confidence about the prospect of the Expressway.

With the experience of the Directors in successfully completing other PRC toll-expressway projects, and the connections and reputation established by them with 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 may 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. Furthermore, the Group will also consider extending its operation to include some other prosperous business once favourable opportunity appears.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2015.

## **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 for the year ended 31 December 2015.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2015, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the shareholders of the Company.

## **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 2015.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is the extract of the Independent Auditor's Report from the external auditors of the Company, KPMG:

### **“Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements which indicates that the Group incurred a net loss of \$199,508,000 during the year ended 31 December 2015, and the Group had net current liabilities of \$735,566,000 and accumulated losses of \$662,879,000 as of 31 December 2015. As explained in note 1(b) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support from banks and the controlling shareholder, 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(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.”

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

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in compliance with the CG Code. 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 and has professional qualification and experience in financial matters in compliance with the requirements 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 2015. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2015 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 2015.

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

The annual general meeting of the Company will be held in Hong Kong on 11 May 2016. Notice of the annual general meeting will be issued and dispatched to shareholders of the Company in due course. The Company's register of members will be closed from 10 May 2016 to 11 May 2016 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 9 May 2016.

## **PUBLICATION OF 2015 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is also published on the website of the Company ([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 2015 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 thanks and gratitude on behalf of the Company 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, 31 March 2016

*As at the date of this announcement, the executive directors of the Company are Mr. Chan Yeung Nam, Mr. Mai Qing Quan and Mr. Fu Jie Pin and the independent non-executive directors of the Company are Mr. Sun Xiao Nian, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.*