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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 2014

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 2014, together with comparative figures for the preceding year ended 31 December 2013, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	4	184,324	167,758
Cost of sales		<u>(66,267)</u>	<u>(57,723)</u>
Gross profit		118,057	110,035
Other revenue	5	700	604
Other net (loss)/income	5	(1,053)	18,295
Administrative expenses		<u>(26,046)</u>	<u>(28,298)</u>
Profit from operations		91,658	100,636
Finance costs	6(a)	<u>(91,088)</u>	<u>(90,758)</u>
Profit before taxation	6	570	9,878
Income tax	7	<u>(2,068)</u>	<u>(1,737)</u>
(Loss)/profit for the year		<u>(1,498)</u>	<u>8,141</u>
Attributable to:			
Equity shareholders of the Company		(2,351)	6,362
Non-controlling interests		<u>853</u>	<u>1,779</u>
(Loss)/profit for the year		<u>(1,498)</u>	<u>8,141</u>
(Loss)/profit per share (HK cents)			
Basic and diluted	9	<u>(0.57)</u>	<u>1.54</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*For the year ended 31 December 2014*

	2014 HK\$'000	2013 <i>HK\$'000</i>
(Loss)/profit for the year	(1,498)	8,141
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of		
– financial statements of subsidiaries outside Hong Kong	<u>(940)</u>	<u>8,447</u>
Total comprehensive income for the year	<u>(2,438)</u>	<u>16,588</u>
Attributable to:		
Equity shareholders of the Company	(3,198)	13,967
Non-controlling interests	<u>760</u>	<u>2,621</u>
Total comprehensive income for the year	<u>(2,438)</u>	<u>16,588</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		19,117	24,273
Intangible asset – service concession arrangement		1,647,557	1,696,673
Deferred tax assets		149,880	152,471
		<u>1,816,554</u>	<u>1,873,417</u>
Current assets			
Prepayments and other receivables	10	16,343	9,352
Cash at bank and on hand		14,129	21,142
		<u>30,472</u>	<u>30,494</u>
Current liabilities			
Accruals and other payables	11	144,727	204,653
Amounts due to related companies		18,743	16,004
Bank loans		625,408	608,171
		<u>788,878</u>	<u>828,828</u>
Net current liabilities		<u>(758,406)</u>	<u>(798,334)</u>
Total assets less current liabilities		<u>1,058,148</u>	<u>1,075,083</u>
Non-current liabilities			
Bank loans		730,416	753,913
Amount due to the controlling shareholder of the Company		87,579	78,579
		<u>817,995</u>	<u>832,492</u>
NET ASSETS		<u>240,153</u>	<u>242,591</u>
CAPITAL AND RESERVES			
Share capital		4,126	4,126
Reserves		206,660	209,858
Total equity attributable to equity shareholders of the Company		<u>210,786</u>	<u>213,984</u>
Non-controlling interests		29,367	28,607
TOTAL EQUITY		<u>240,153</u>	<u>242,591</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 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. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that 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 2014 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.

At 31 December 2014, the Group's net current liabilities were \$758,406,000. The Group is dependent upon the financial support from the bankers 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. These conditions continue to indicate the existence of a material uncertainty that may cast significant doubt about 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 and to meet its obligations, as and when they fall due, having regard to the following:

- i. the Group expects to generate positive operating cash flows for the next twelve months;
- ii. among the current liabilities, \$604,459,000 were bank loans from Wing Lung Bank fall due in 2016 with payment on demand terms. The Group expects to comply with bank covenants so that immediate demand for payment is not expected to be triggered;
- iii. advance receipt of \$22,183,000 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 \$87,579,000 at 31 December 2014 will not be requested in the following 12 months;
- v. the directors are confident that the Group will be able to obtain additional bank loan facilities as and when required.

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

(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 and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on these financial statements as the Group does not have any CGU whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group does not have any derivatives.

HK (IFRIC) 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

4. TURNOVER

The principal activities of the Group are construction, operation and management of an expressway in the PRC.

Turnover 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 turnover during the year is as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Toll income	142,601	122,258
Rental income	41,723	45,500
	184,324	167,758

5. OTHER REVENUE AND NET (LOSS)/INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other revenue		
Billboard rental income	643	520
Interest income from bank deposits	57	84
	<u>700</u>	<u>604</u>
Other net (loss)/income		
Exchange (loss)/gain	(2,162)	19,386
Losses from maturity of a derivative	–	(1,567)
Others	1,109	476
	<u>(1,053)</u>	<u>18,295</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank loans wholly repayable within five years	54,649	51,847
Interest on bank loans repayable beyond five years	36,439	38,911
	<u>91,088</u>	<u>90,758</u>

There is no borrowing costs capitalised for the year ended 31 December 2014 (2013: Nil).

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(b) Staff costs:		
Salaries, wages and other benefits	17,132	18,525
Contributions to defined contribution retirement plans	2,329	2,832
	<u>19,461</u>	<u>21,357</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 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.

	2014	2013
	<i>HK\$’000</i>	<i>HK\$’000</i>
(c) Other items:		
Auditors’ remuneration		
– Audit and review services	2,063	2,084
Depreciation	5,212	5,410
Amortisation	43,216	36,238
Operating lease charges in respect of rental of office premises	372	925
	<u> </u>	<u> </u>

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

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

	2014	2013
	<i>HK\$’000</i>	<i>HK\$’000</i>
Deferred tax		
Reversal and origination of temporary differences	2,068	1,737
	<u> </u>	<u> </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 2014 and 2013.

(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% (2013: 25%) on its assessable profits. No provision has been made for PRC corporate income tax as the subsidiary used its accumulated tax losses carried from previous years. Deferred tax arises reversal and origination are in connection with the impairment provision and construction profit of intangible asset-service concession arrangement.

(b) Reconciliation between tax credits and accounting profit at applicable tax rates:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before taxation	<u>570</u>	<u>9,878</u>
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	1,990	4,195
Tax effect on tax losses not recognised	659	687
Use of tax losses carried from previous years	<u>(581)</u>	<u>(3,145)</u>
Income tax	<u>2,068</u>	<u>1,737</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 2014 (2013: Nil).

9. (LOSS)/PROFIT PER SHARE

(a) (Loss)/Profit Per Share

	2014 <i>'000</i>	2013 <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 loss per share is based on the consolidated loss attributable to ordinary equity shareholders of the Company of HK\$2,351,000 (2013: profit of HK\$6,362,000) and the weighted average number of 412,608,000 (2013: 412,608,000) shares in issue during the year.

(b) Diluted (Loss)/Profit Per Share

There were no dilutive potential ordinary shares during the years presented and, therefore, diluted (loss)/profit per share is equivalent to basic (loss)/profit 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 2014 are contract retention deposits payable to independent contractors of HK\$58,121,000 (2013: HK\$71,834,000), construction fees payables of HK\$44,918,000 (2013: HK\$49,739,000) and advance received of HK\$22,183,000 (2013: HK\$66,775,000). All of the accruals and other payables are expected to be settled or recognised as income within one year (2013: advance received of HK\$22,258,000 were expected to be recognised as income after more than 1 year).

MANAGEMENT DISCUSSION AND ANALYSIS

The traffic and the toll fee revenue of the Expressway continue to grow at an impressive rate. Since the fluctuation in the exchange rate of RMB against Hong Kong dollar adversely affected the result of the Group, the Group had a marginal loss for the year of about HK\$1.5 million.

TURNOVER

For the year ended 31 December 2014, the Group recorded a turnover of approximately HK\$184.3 million, increased by 9.8% from that for the year ended 31 December 2013 of approximately HK\$167.8 million. Total amount of toll fee revenue of the Expressway was about HK\$142.6 million, increased by 16.6% from about HK\$122.3 million for the year ended 31 December 2013. Average traffic of the Expressway was about 347,000 vehicles per month, increased by 16.8% from about 297,000 vehicles per month for the year ended 31 December 2013 and of which, about 48% were heavy vehicles while over 50% of the traffic of the Expressway were heavy vehicles for the year ended 31 December 2013. Rental income from the service area along the Expressway was about HK\$41.7 million, decreased by 8.3% from about HK\$45.5 million for the year ended 31 December 2013.

GROSS PROFIT

The Group had a gross profit of HK\$118.1 million for the year ended 31 December 2014, increased by 7.3% from about HK\$110.0 million for the year ended 31 December 2013. The increase in gross profit was mainly attributable by the growth of toll fee revenue. The gross profit ratio was about 64.0% for the year ended 31 December 2014, which is nearly the same as the one for the year ended 31 December 2013.

OTHER REVENUE AND OTHER NET (LOSS)/INCOME

The Group recorded 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 compared to the other revenue and other net income of approximately HK\$0.6 million and HK\$18.3 million respectively in 2013. 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)/income mainly represented the exchange difference.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2014 was approximately HK\$26.0 million, decreased by 8.0% from that for the year ended 31 December 2013. The decrease was mainly due to the cost saving action such as the reduction of numbers of middle management staff.

FINANCE COSTS

For the year ended 31 December 2014, the finance costs of the Group was about HK\$91.1 million, increased by 0.3% from approximately HK\$90.8 million for the year ended 31 December 2013. The minor decrease was mainly due to the fluctuation of effective bank loan interest rate.

(LOSS)/PROFIT FOR THE YEAR

As the Group had an exchange loss of HK\$2.2 million due to the depreciation of RMB against Hong Kong Dollar this year, compared to the exchange gain of HK\$19.4 million for the year ended 31 December 2013, the Group incurred a loss for the year of approximately HK\$1.5 million compared to a profit for the year of approximately HK\$8.1 million for the year ended 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2014, 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 2014, total bank loans drawn by the Group was about HK\$1,355.8 million (2013: HK\$1,362.1 million) and the total cash and cash equivalents, including bank deposits and cash on hand, amounted to approximately HK\$14.1 million (2013: HK\$21.1 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 2014, total available banking facilities of the Group amounted to HK\$1,394.4 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\$1,355.8 million (2013: HK\$1,362.1 million). The ratio of outstanding bank loans to equity holders' equity was 643.2% (2013: 636.5%).

As at 31 December 2014, the bank loans are repayable as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 1 year	625,408	608,171
After 1 year but within 2 years	27,932	21,020
After 2 years but within 5 years	125,695	105,101
After 5 years	576,789	627,792
	<u>1,355,824</u>	<u>1,362,084</u>

The Group's borrowings were mainly arranged on a floating rate basis. As at 31 December 2014, 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 2014, 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.

PLEDGE OF ASSETS

As at 31 December 2014, the banking loans of HK\$1,355.8 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 2014, there was no material capital commitments outstanding for the Company.

BUSINESS REVIEW

Sui-Yue Expressway (Hunan Section)

The Expressway commenced its operation from the end of 2011. It had an impressive growth in traffic flow in the past three years. The performance of it was encouraging. The traffic reached 347,000 vehicles per month and the average monthly toll fee revenue was about HK\$12.0 million. In addition, the rental income from the service area along the Expressway contributed a significant amount to the turnover of the Group.

Employees and emoluments

As at 31 December 2014, the Group employed a total of 246 (2013: 246) employees in the PRC and Hong Kong which included management staff, engineers, technicians, etc. For the year ended 31 December 2014, the Group's total expenses on the remuneration of employees was approximately HK\$19.5 million (2013: HK\$21.4 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 2014.

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 9.5% in 2014, 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 2014.

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 2014.

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 2014, 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 2014.

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 state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance 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 as of 31 December 2014, the Group's current liabilities exceed its current assets by approximately HK\$758,406,000. 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 the Group's bankers 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 about 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 2014. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2014 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 2014.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held in Hong Kong on 14 May 2015. 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 13 May 2015 to 14 May 2015 (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 12 May 2014.

PUBLICATION OF 2014 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is also published on the website of the Company (www.huayu.com.hk), and the website of the Stock Exchange (www.hkexnews.hk) and the 2014 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, 27 March 2015

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.