

# 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

INTERIM REPORT  
**2022**

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# Corporate Information

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Chan Yeung Nam (*Chairman*)  
Fu Jie Pin (*Chief Executive Officer*)  
Liu Bao Hua

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Sun Xiao Nian  
Chu Kin Wang, Peleus  
Hu Lie Ge

## BOARD COMMITTEES

### AUDIT COMMITTEE

Chu Kin Wang, Peleus (*Chairman*)  
Hu Lie Ge  
Sun Xiao Nian

### NOMINATION COMMITTEE

Sun Xiao Nian (*Chairman*)  
Hu Lie Ge  
Fu Jie Pin

### REMUNERATION COMMITTEE

Hu Lie Ge (*Chairman*)  
Chu Kin Wang, Peleus  
Fu Jie Pin

## COMPANY SECRETARY

Sin Ka Man *HKICPA, FCCA*

## AUTHORISED REPRESENTATIVES

Chan Yeung Nam  
Sin Ka Man

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## HEADQUARTERS IN THE PRC

Zhou Fu Zu  
Xingguangcun Sanhexiang  
Yueyang Economic and Technological Development Zone  
Yueyang  
Hunan Province  
The PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1205, 12/F  
Tower 1, Lippo Centre  
89 Queensway  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A  
Block 3, Building D  
P.O. Box 1586  
Gardenia Court  
Camana Bay  
Grand Cayman  
KY1-1100  
Cayman Islands

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## AUDITORS

KPMG  
Certified Public Accountants  
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance  
8/F, Prince's Building  
10 Chater Road  
Central, Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

Stevenson, Wong & Co.  
39/F Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

## PRINCIPAL BANKERS

China Merchants Bank  
China Construction Bank Corporation

## COMPANY WEBSITE

[www.huayu.com.hk](http://www.huayu.com.hk)

## STOCK CODE

1823

# Management Discussion and Analysis

## FINANCIAL REVIEW

### REVENUE

During the six months ended 30 June 2022 (the “Period”), Huayu Expressway Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a revenue of approximately HK\$380.8 million, decreased by about 39.0% from approximately HK\$624.3 million for the corresponding period of last year. The decrease was mainly due to the economic downturn brought by the outbreak of the COVID-19 pandemic in the PRC during the Period and an increase in the price of petroleum.

The total toll revenue received from the Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”) and the First Phase of Qing Ping Expressway (the “Qing Ping Expressway”, collectively the “Expressways”) for the Period was about HK\$142.0 million, decreased by 11.6% from about HK\$160.7 million for the corresponding period of 2021. For the Sui-Yue Expressway, the toll revenue and the traffic flow were about HK\$102.9 million and 6.0 million vehicles respectively for the Period, decreased by about 5.2% and 6.3% from the corresponding period of 2021. On the other hand, the toll revenue and the traffic flow of the Qing Ping Expressway were about HK\$39.1 million and 9.9 million vehicles respectively, decreased by about 25.0% and 24.3% from the corresponding period of 2021.

The revenue generated from the sales of liquor and spirits was approximately HK\$238.9 million for the Period, decreased by 48.5% from about HK\$463.6 million for the corresponding period of 2021. Due to the occasional outbreak of the COVID-19 pandemic, the sales of liquor and spirits plunged in the Period.

### COST AND GROSS PROFIT

The Group recorded a gross profit of approximately HK\$157.3 million for the Period, decreased by 33.7% from about HK\$237.2 million for the corresponding period of last year. The decrease in gross profit was in line with the drop in the total revenue of the Group for the Period. The relevant gross profit ratio was about 41.3%, increased by 3.3% for the corresponding period of last year from about 38.0%.

For the Expressways, the segment gross profit was approximately HK\$79.4 million and the gross profit ratio was about 55.9% for the Period. Due to the drop in the toll revenue, the relevant gross profit ratio slightly decreased over the corresponding period of last year.

For the trading of liquor and spirits, the segment gross profit was about HK\$77.9 million and the gross profit ratio was about 32.6% for the Period, representing a slight increase over the corresponding period of last year.

### OTHER REVENUE AND OTHER NET (LOSS)/INCOME

The Group recorded other revenue of approximately HK\$3.4 million for the Period, as compared to an amount of approximately HK\$3.3 million for the corresponding period of last year. Other revenue of the Group mainly comprised of the rental income from the highway billboard advertising business and interest income from bank deposits.

# Management Discussion and Analysis

In addition, the other net loss was about HK\$1.6 million for the Period. Other net loss mainly reflected the exchange loss recorded during the Period.

## ADMINISTRATIVE EXPENSES

Administrative expenses for the Period were approximately HK\$28.3 million, decreased by 4.7% from approximately HK\$29.7 million for the corresponding period of last year. The decrease was mainly due to the decrease in professional services fees which incurred for the acquisition in 2021.

## SELLING AND DISTRIBUTION COSTS

The Group recorded selling and distribution costs of about HK\$12.2 million for the Period, increased by 47.0% from approximately HK\$8.3 million for the corresponding period of last year. The selling and distribution costs mainly comprised of the advertising expenses and staff costs for the liquor and spirits trading business.

## FINANCE COSTS

During the Period, the finance costs of the Group amounted to about HK\$28.7 million, increased by about 1.8% from approximately HK\$28.2 million for the corresponding period of last year.

## PROFIT FOR THE PERIOD

The profit of the Group for the Period amounted to approximately HK\$71.1 million, decreased by about 48.7% from approximately HK\$138.7 million for the corresponding period of last year. The slump in profit was in line with the decrease in the total revenue of the Group for the Period.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group financed its operating and capital expenditures with its internal resources, borrowings from the controlling shareholder of the Company and long-term bank loans. As at 30 June 2022, total bank loans drawn by the Group amounted to about HK\$1,131.8 million (as at 31 December 2021: approximately HK\$1,208.3 million), the amount due to the controlling shareholder of the Company amounted to approximately HK\$102.0 million (as at 31 December 2021: approximately HK\$102.0 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately HK\$278.7 million (as at 31 December 2021: approximately HK\$332.6 million).

The Group has always pursued a prudent treasury management policy and maintained its liquidity position with sufficient standby banking facilities to meet its daily operation and any demands for capital in the future development. As at 30 June 2022, the total banking facilities of the Group with the banks in the PRC amounted to approximately HK\$1,131.8 million, which were mainly for the settlement of construction costs of the Expressways. The ratio of total outstanding bank loans and other borrowings to total equity was 1.25 (as at 31 December 2021: 1.38).

# Management Discussion and Analysis

The Group's borrowings were mainly arranged on a floating rate basis. During the Period, the Group did not enter into any hedging arrangements to hedge against exposure in the interest rate risk. Any substantial fluctuation of the interest rate may cause negative financial impacts on the Group. The management of the Company (the "Management") will continue to monitor the Group's interest rate risk exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

## INTANGIBLE ASSETS – SERVICE CONCESSION ARRANGEMENTS

The service concession arrangements confer the right of the Group to operate the Expressways and receive toll fees therefrom. According to the accounting policy adopted by the Group, the amount of the intangible assets is subject to the periodical impairment review. To facilitate the review, an independent valuation was performed by an independent valuer, Ernst & Young Transactions Limited, to determine the value in use of the cash generating unit as at 31 December 2021. No further impairment was recognised for the Period.

## EMPLOYEES AND EMOLUMENTS

As at 30 June 2022, the Group employed a total of 438 (as at 31 December 2021: 480) employees in the PRC and Hong Kong, which included the Management, engineers, technicians and general staff. During the Period, the Group's total expenses on the remuneration of employees amounted to approximately HK\$31.0 million (six months ended 30 June 2021: approximately HK\$28.5 million).

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

## FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Some of the Group's cash and bank deposits are denominated in Hong Kong dollars. As at 30 June 2022, the Group had not entered into any hedging arrangements to hedge against exposure in the foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause negative financial impacts on the Group. The Management 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.

# Management Discussion and Analysis

## PLEDGE OF ASSETS

As at 30 June 2022, the bank loans of approximately HK\$1,073.3 million provided by banks in the PRC were secured by a pledge of the toll collection right owned by the Sui-Yue Expressway.

## BUSINESS REVIEW

### SUI-YUE EXPRESSWAY

Despite the occasional COVID-19 outbreak and the lock down policy, the operation of Sui-Yue Expressway was slightly affected during the Period. Average traffic flow for the Period was about 1.0 million vehicles per month, decreased from 1.1 million vehicles per month for the corresponding period of last year. The average toll for the Period was about HK\$17.2 per vehicle, slightly increased by 1.2% from HK\$17.0 per vehicle for the corresponding period of last year.

### QING PING EXPRESSWAY

The COVID-19 pandemic and the lock down policy in Shenzhen during the Period seriously affected the operation of the Qing Ping Expressway. In addition to the recent increase in the price of petroleum, the motivation for the driving trips dropped significantly. For the Period, the total toll revenue of Qing Ping Expressway was about HK\$39.1 million, decreased by approximately 25.0% from about HK\$52.1 million for the corresponding period of last year. The average traffic flow was about 1.7 million vehicles per month, decreased by about 22.7% from about 2.2 million vehicles per month for the corresponding period of last year. Average toll for the Period was about HK\$3.9 per vehicle.

### TRADING OF LIQUOR AND SPIRITS

The COVID-19 pandemic also adversely affected the business of liquor and spirits during the Period. With the lock down policy and the restrictions in the social activities, the consumption of alcoholic beverages dropped significantly during the Period. The Group recorded a revenue of trading of liquor and spirits of approximately HK\$238.9 million, decreased by approximately 48.5% from that for the corresponding period of last year. During the Period, active marketing campaigns and promotions were organised to strengthen the marketing network and the efficiency distribution channel. Segment profit, the adjusted EBITDA, for the Period was about HK\$62.4 million.

# Management Discussion and Analysis

## PROSPECTS

Due to the occasional and regional outbreak of the COVID-19 pandemic in the PRC and the significant increase in the petroleum price, the result of the Group was seriously affected during the Period. Yet, with the strong and effective measures in the prevention and controls over the spread of the virus, the effects from the pandemic will reduce to minimal in the future. The Management believes that the difficult period will be over and the businesses of the Group will return to normal in the foreseeable future.

Although the toll revenue of the Expressways dropped by approximately 11.6% because of the external economic factors during the Period, the fundamentals of them remain in good shape and fast recovery will be expected in the future. Once there is recovery and growth in the economic activities along the Expressways, the business of the Expressways is prosperous. Sui-Yue Expressway, a section of one major inter-provincial expressway, is mainly providing service to trucks and lorries. Qing Ping Expressway is located in Shenzhen, one of the major cities in the PRC, its economic prospects are promising. The Group believes that the Expressways are the cornerstone of the Group and will provide a stable cashflow to the Group in future.

The business of trading liquor and spirits was affected significantly during the Period. But, with the well-established distribution network, the Group is full of confidence about the performance of this business segment in the post COVID-19 pandemic period. In the near future, we will continue to take steps to boost the sales and marketing activities, such as the tasting events and promotion conference in the coming months.

With the experience of the Directors in successfully completing various PRC toll-expressway projects, and the connections and reputation established by them in 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 the said strategies, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from developing new infrastructure projects, the Group 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 businesses once favourable opportunity appears.



## Corporate Governance and Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules of Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of Director	Nature of Interest	Number of Shares (ordinary shares)	Number of Shares options	Total	Percentage
Mr. Chan Yeung Nam ( <i>Note 1</i> )	Interest of controlled corporation	300,000,000 (L)	–	300,000,000	72.71%
Mr. Fu Jie Pin ( <i>Note 2</i> )	Beneficial owner	–	4,000,000 (L)	4,000,000	0.97%

*Note 1: Mr. Chan Yeung Nam, an executive Director and chairman of the Board of the Directors, is deemed to be interested in 300,000,000 shares of the Company held by Velocity International Limited by virtue of it being wholly-owned by him.*

*On 12 January 2018, Velocity International Limited had pledged 300,000,000 shares of the Company to TCG Capital Investment Limited (which is wholly owned by Mr. Chan Weng Lin) as security for another term loan facility provided to Velocity International Limited.*

*Note 2: Details of the share options granted to the Directors by the Company are set out in the section headed "Share Option Scheme" of this report.*

Apart from the foregoing, as at 30 June 2022, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time during the Period was the Company, or any of its holding companies or subsidiaries a party to any arrangements to enable any Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

# Corporate Governance and Other Information

## SHARE OPTION SCHEME

The Company adopted a share option scheme at the annual general meeting of the Company held on 11 June 2020 (“Share Option Scheme”) 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.

The maximum number of shares of the Company (“Shares”) which may be issued upon exercise of all options (the “Option”) to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at 11 June 2020, i.e. 41,260,800 Shares. No Option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to the grantee in any 12-month period exceeds 1% of the Shares in issue from time to time.

The Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board of Directors (the “Board”) and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 30 days after the offer date. The exercise price of the Option is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange’s daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange’s daily quotation sheet for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from 11 June 2020, after which no further Option will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

## Corporate Governance and Other Information

The total number of shares available for issue under the Share Option Scheme is 41,260,800, representing approximately 10.0% of the Company's issued share capital as at the date of the Company's 2021 annual report and as at the date of this interim report, respectively.

On 28 December 2021, the Company has granted share options (the "Share Options") to certain eligible participants (the "Grantees") to subscribe for 40,000,000 ordinary shares (the "Shares") of HK\$0.01 each of the Company, which represents approximately 9.69% of the Company's issued Share capital at the date of grant. The exercise price of the Share Options granted was HK\$2.89 per Share. The closing price per Share as at 24 December 2021, being the date immediately before the date the Share Options were granted was HK\$2.88. The validity period of the Share Options would be one year from 28 December 2021 to 27 December 2022 (both days inclusive). All the Share Options are vested and exercisable from the date of grant.

Details of movement of the Share Options granted under the Share Option Scheme to the Directors and employees of the Group during the Period were as follows:

Grantee	Date of grant	Exercise price per share (HK\$)	Exercise period	Outstanding as at 1 January 2022	Number of Share Options			Outstanding as at 30 June 2022
					Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period	
<b>Directors</b>								
Mr. Fu Jie Pin	28 December 2021	2.89	28 December 2021 to 27 December 2022	4,000,000	-	-	-	4,000,000
Mr. Mai Qing Quan	28 December 2021	2.89	28 December 2021 to 27 December 2022	3,000,000	-	-	3,000,000	-
<b>Chairman of liquor and spirits trading business group of the Company</b>								
Mr. Ran Chang Xian	28 December 2021	2.89	28 December 2021 to 27 December 2022	4,000,000	-	-	-	4,000,000
<b>Employees</b>								
In aggregate	28 December 2021	2.89	28 December 2021 to 27 December 2022	29,000,000	-	-	-	29,000,000
<b>Total</b>				40,000,000	-	-	3,000,000	37,000,000

Apart from the forgoing, at no time during the Period was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Corporate Governance and Other Information

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to any Directors or chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any shares of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of shareholders	Capacity/Nature of Interest	Long position in ordinary Shares held	Percentage of total issued shares
Velocity International Limited (Note)	Beneficial owner	300,000,000 (L)	72.71%
TCG Capital Investment Limited (Note)	Person having security interest in shares	300,000,000 (L)	72.71%
Chan Weng Lin (Note)	Interest of Controlled Corporation	300,000,000 (L)	72.71%

Note: The entire issued share capital of Velocity International Limited is owned by Mr. Chan Yeung Nam, an executive Director and chairman of the Board. On 12 January 2018, Velocity International Limited had pledged 300,000,000 shares of the Company to TCG Capital Investment Limited (which is wholly-owned by Mr. Chan Weng Lin) as security for a term loan facility provided to Velocity International Limited.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the Period.

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in the interests of its shareholders. It had adopted the code provisions contained in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules. The Company has complied with the code provisions contained in the CG Code throughout the Period.

# Corporate Governance and Other Information

## AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) which is accountable to the Board and the primary duties of which include the reviewing and supervising of the Group’s financial reporting process and internal control measures. The Audit Committee is comprised of three independent non-executive Directors, 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. 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 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 unaudited results of the Group for the Period. The Audit Committee considered that the unaudited consolidated results of the Group for the Period are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

## REVIEW OF THE INTERIM REPORT

This interim financial report for the Period has not been audited, but has been reviewed by the Audit Committee and KPMG, Certified Public Accountants, the external auditors of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code adopted by the Company throughout the Period.

## PUBLICATION AND DESPATCH OF INTERIM REPORT

This 2022 interim report of the Company is available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.huayu.com.hk](http://www.huayu.com.hk)) respectively.

## EVENTS AFTER THE REPORTING PERIOD

No significant events occurred subsequent to 30 June 2022 up to the date of this interim financial report.

On behalf of the Board of  
**Huayu Expressway Group Limited**

**Chan Yeung Nam**  
*Chairman*

Hong Kong, 26 August 2022

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
<b>Revenue</b>	3	<b>380,838</b>	624,314
Cost of sales		(223,538)	(387,127)
<b>Gross profit</b>		<b>157,300</b>	237,187
Other revenue	4	3,417	3,339
Other net (loss)/income	4	(1,630)	2,157
Administrative expenses		(28,336)	(29,750)
Selling and distribution costs		(12,196)	(8,316)
<b>Profit from operations</b>		<b>118,555</b>	204,617
Finance costs	5(a)	(28,678)	(28,176)
Share of profit of associates		5,413	10,556
<b>Profit before taxation</b>	5	<b>95,290</b>	186,997
Income tax	6	(24,231)	(48,348)
<b>Profit for the period</b>		<b>71,059</b>	138,649
<b>Attributable to:</b>			
Equity shareholders of the Company		44,335	103,134
Non-controlling interests		26,724	35,515
<b>Profit for the period</b>		<b>71,059</b>	138,649
<b>Earnings per share (cents)</b>	7		
Basic		10.75	25.00
Diluted		10.75	25.00

The notes on pages 20 to 40 form part of this interim financial report.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>Profit for the period</b>	<b>71,059</b>	138,649
<b>Other comprehensive income for the period:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	(42,622)	9,002
<b>Total comprehensive income for the period</b>	<b>28,437</b>	147,651
<b>Attributable to:</b>		
Equity shareholders of the Company	11,378	109,762
Non-controlling interests	17,059	37,889
<b>Total comprehensive income for the period</b>	<b>28,437</b>	147,651

The notes on pages 20 to 40 form part of this interim financial report.

# Consolidated Statement of Financial Position

At 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Note	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	30,598	36,264
Intangible assets – service concession arrangements	9	1,376,772	1,470,824
Interests in associates	10	117,148	41,665
Deferred tax assets		128,861	139,452
		<b>1,653,379</b>	1,688,205
<b>Current assets</b>			
Inventories		139,114	100,004
Other current assets		9,027	1,641
Trade and other receivables	11	128,282	174,875
Amounts due from related parties	18(b)	21,063	36,397
Cash and cash equivalents	12	278,691	332,574
		<b>576,177</b>	645,491
<b>Current liabilities</b>			
Accruals and other payables	13	44,079	95,902
Amounts due to related parties	18(b)	5,532	4,278
Contract liabilities		30,502	30,953
Bank loans and other borrowing	14	152,009	134,541
Lease liabilities		1,787	1,796
Current taxation		5,140	10,331
		<b>239,049</b>	277,801
<b>Net current assets</b>		<b>337,128</b>	367,690
<b>Total assets less current liabilities</b>		<b>1,990,507</b>	2,055,895



# Consolidated Statement of Financial Position

At 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Note	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<b>Non-current liabilities</b>			
Bank loan and other borrowing	14	979,784	1,073,788
Amount due to the controlling shareholder of the Company	18(b)	101,976	101,976
Lease liabilities		1,024	1,851
		<b>1,082,784</b>	<b>1,177,615</b>
<b>NET ASSETS</b>		<b>907,723</b>	<b>878,280</b>
<b>CAPITAL AND RESERVES</b>			
	15		
Share capital		4,126	4,126
Reserves		584,646	572,672
<b>Total equity attributable to equity shareholders of the Company</b>		<b>588,772</b>	<b>576,798</b>
<b>Non-controlling interests</b>		<b>318,951</b>	<b>301,482</b>
<b>TOTAL EQUITY</b>		<b>907,723</b>	<b>878,280</b>

Approved and authorised for issue by the Board of Directors on on 26 August 2022.

**Chan Yeung Nam**  
*Chairman*

**Fu Jie Pin**  
*Director*

The notes on pages 20 to 40 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses			
	Note 15(a) \$'000	Note 15(b)(i) \$'000	Note 15(b)(ii) \$'000	Note 15(b)(iii) \$'000	Note 15(b)(iv) \$'000	Note 15(b)(v) \$'000	\$'000			
<b>Balance at 1 January 2021</b>	4,126	80,118	16,317	916,083	3,407	59,336	(466,946)	612,441	205,349	817,790
<b>Changes in equity for the six months ended 30 June 2021:</b>										
Profit for the period	-	-	-	-	-	-	103,134	103,134	35,515	138,649
Other comprehensive income	-	-	-	-	-	6,628	-	6,628	2,374	9,002
<b>Total comprehensive income</b>	-	-	-	-	-	6,628	103,134	109,762	37,889	147,651
Equity settled share-based transactions	-	-	-	-	671	-	-	671	100	771
Appropriation to statutory reserve	-	-	9,345	-	-	-	(9,345)	-	-	-
Acquisition of a subsidiary under common control	-	-	-	(152,869)	-	-	-	(152,869)	-	(152,869)
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	9,517	9,517
Dividends declared to the former shareholders of a subsidiary before acquisition under common control	-	-	-	-	-	-	(17,722)	(17,722)	(11,814)	(29,536)
Dividends declared in respect of the current period	-	(24,756)	-	-	-	-	-	(24,756)	-	(24,756)
<b>Balance at 30 June 2021 and 1 July 2021</b>	4,126	55,362	25,662	763,214	4,078	65,964	(390,879)	527,527	241,041	768,568
<b>Changes in equity for the six months ended 31 December 2021:</b>										
Profit for the period	-	-	-	-	-	-	1,103	1,103	22,206	23,309
Other comprehensive income	-	-	-	-	-	12,813	-	12,813	1,819	14,632
<b>Total comprehensive income</b>	-	-	-	-	-	12,813	1,103	13,916	24,025	37,941
Equity settled share-based transactions	-	-	-	-	35,814	-	-	35,814	5,928	41,742
Appropriation to statutory reserve	-	-	1,279	-	-	-	(1,279)	-	-	-
Disposal of partial interests in a subsidiary	-	-	-	(6,909)	-	-	-	(6,909)	26,189	19,280
Dividends declared to the former shareholders of a subsidiary before acquisition under common control	-	-	-	-	-	-	6,450	6,450	4,299	10,749
<b>Balance at 31 December 2021</b>	4,126	55,362	26,941	756,305	39,892	78,777	(384,605)	576,798	301,482	878,280

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						Accumulated losses	Total	Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Share-based compensation reserve	Exchange reserve				
	Note 15(a)	Note 15(b)(i)	Note 15(b)(ii)	Note 15(b)(iii)	Note 15(b)(iv)	Note 15(b)(v)				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2022	4,126	55,362	26,941	756,305	39,892	78,777	(384,605)	576,798	301,482	878,280
Changes in equity for the six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	44,335	44,335	26,724	71,059
Other comprehensive income	-	-	-	-	-	(32,957)	-	(32,957)	(9,665)	(42,622)
Total comprehensive income	-	-	-	-	-	(32,957)	44,335	11,378	17,059	28,437
Equity settled share-based transactions	-	-	-	-	596	-	-	596	178	774
Appropriation to statutory reserve	-	-	3,351	-	-	-	(3,351)	-	-	-
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	-	232	232
Balance at 30 June 2022	4,126	55,362	30,292	756,305	40,488	45,820	(343,621)	588,772	318,951	907,723

The notes on pages 20 to 40 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
<b>Operating activities</b>			
Cash generated from operations		134,382	103,953
PRC corporate income tax paid		(24,494)	(20,705)
<b>Net cash generated from operating activities</b>		<b>109,888</b>	<b>83,248</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(6,883)	(16,696)
Payment for intangible assets		(19,216)	(680)
Payment for investment in associates		(72,029)	(5,160)
Interest received		2,244	2,393
Payment to a related party		(4,816)	–
Payment for other investments		(7,016)	–
Payment for acquisition of a subsidiary under common control		–	(152,869)
Other cash flows arising from investing activities		(963)	–
<b>Net cash used in investing activities</b>		<b>(108,679)</b>	<b>(173,012)</b>
<b>Financing activities</b>			
Capital element of lease rentals paid		(940)	(890)
Interest element of lease rentals paid		(82)	(75)
Proceeds of new loan and other borrowings		60,200	291,508
Repayment of loans and other borrowings		(84,280)	(152,603)
Capital injection from non-controlling interests		232	9,517
Borrowing costs paid		(28,664)	(32,275)
Net proceeds from disposal of partial interests in subsidiaries		14,126	4,800
<b>Net cash (used in)/generated from financing activities</b>		<b>(39,408)</b>	<b>119,982</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(38,199)</b>	<b>30,218</b>
<b>Cash and cash equivalents at 1 January</b>		<b>332,574</b>	<b>246,545</b>
<b>Effect of foreign exchange rate changes</b>		<b>(15,684)</b>	<b>2,834</b>
<b>Cash and cash equivalents at 30 June</b>	12	<b>278,691</b>	<b>279,597</b>

The notes on pages 20 to 40 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 41 to 42.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 amended HKFRSs are discussed below:

*Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

*Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

- Sui-Yue Expressway, construction, operation and management of the Sui-Yue Expressway;
- Qing Ping Expressway, construction, operation and management of the Qing Ping Expressway;
- Liquor and spirits, mainly distribution of Huamaojiu and Xijiushaofang.

### (A) DISAGGREGATION OF REVENUE

Disaggregation of revenue from contracts with customers by major products or service lines and of customers is as follows:

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
– Toll income	141,977	160,688
– Sales of liquor and spirits	238,861	463,626
	<b>380,838</b>	<b>624,314</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (A) DISAGGREGATION OF REVENUE (CONTINUED)

Since the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical regions is presented.

All the above revenue of the Group were recognised at a point in time.

### (B) SEGMENT RESULTS, ASSETS AND LIABILITIES

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include accruals, bills payable and lease liabilities attributable to the expressways operations and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (B) SEGMENT RESULTS, ASSETS AND LIABILITIES (CONTINUED)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June 2022	Sui-Yue Expressway \$'000	Qing Ping Expressway \$'000	Liquor and spirits \$'000	Total \$'000
<b>Reportable segment revenue</b>	102,891	39,086	238,861	380,838
<b>Reportable segment profit (adjusted EBITDA)</b>	87,437	14,135	62,362	163,934
Interest income from bank deposits	684	68	777	1,529
Interest expenses	(27,320)	–	(1,327)	(28,647)
Depreciation and amortisation	(21,368)	(10,258)	(1,654)	(33,280)
As at 30 June 2022				
<b>Reportable segment assets</b>	1,318,174	206,414	542,181	2,066,769
<b>Reportable segment liabilities</b>	1,096,948	12,216	127,057	1,236,221

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (B) SEGMENT RESULTS, ASSETS AND LIABILITIES (CONTINUED)

For the six months ended 30 June 2021	Sui-Yue Expressway \$'000	Qing Ping Expressway \$'000	Liquor and spirits \$'000	Total \$'000
<b>Reportable segment revenue</b>	108,566	52,122	463,626	624,314
<b>Reportable segment profit (adjusted EBITDA)</b>	92,975	32,996	121,680	247,651
Interest income from bank deposits	745	120	554	1,419
Interest expenses	(27,014)	(1,086)	(57)	(28,157)
Depreciation and amortisation	(24,568)	(13,061)	(911)	(38,540)
As at 31 December 2021				
<b>Reportable segment assets</b>	1,421,082	222,798	500,139	2,144,019
<b>Reportable segment liabilities</b>	1,225,306	22,602	108,657	1,356,565

### (C) RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Reportable segment profit (adjusted EBITDA)	163,934	247,651
Other revenue	555	973
Other net (loss)/income	(2,540)	1,179
Depreciation and amortisation	(33,755)	(39,102)
Finance costs	(28,678)	(28,176)
Unallocated head office and corporate expenses	(4,226)	4,472
Consolidated profit before taxation	95,290	186,997

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 4 OTHER REVENUE AND NET (LOSS)/INCOME

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>Other revenue</b>		
Billboard rental income	1,019	946
Interest income from bank deposits	2,398	2,393
	<b>3,417</b>	<b>3,339</b>
<b>Other net (loss)/income</b>		
Net foreign exchange (loss)/gain	(2,618)	1,199
Others	988	958
	<b>(1,630)</b>	<b>2,157</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION

PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CHARGING:

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
<b>(a) Finance costs:</b>		
Interest on bank loans and other borrowing	28,599	28,101
Interest on lease liabilities	79	75
	<b>28,678</b>	<b>28,176</b>
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	27,742	25,697
Contributions to defined contribution retirement plans	2,515	2,034
Share-based payment expenses	774	771
	<b>31,031</b>	<b>28,502</b>
<b>(c) Other items:</b>		
Depreciation charge		
– owned property, plant and equipment	3,562	2,630
– right-of-use assets	964	917
Amortisation	29,229	35,555

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 6 INCOME TAX

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Current tax – PRC corporate income tax	19,642	40,736
Deferred tax – Origination and reversal of temporary differences	4,589	7,612
	<b>24,231</b>	<b>48,348</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 periods ended 30 June 2022 and 2021.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are liable to PRC corporate income tax at a rate of 25% (six months ended 30 June 2021: 25%) on their assessable profits. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible assets-service concession arrangements, deductible tax losses and other deductible temporary differences.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 7 EARNINGS PER SHARE

### (A) EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company for the period of \$44,335,000 (six months ended 30 June 2021: \$103,134,000) and the weighted average number of 412,608,000 (six months ended 30 June 2021: 412,608,000) shares in issue during the interim period.

### (B) DILUTED EARNINGS PER SHARE

For the six months ended 30 June 2022, the effect of share options of the Group was anti-dilutive. There were no dilutive potential ordinary shares for the six months ended 30 June 2021.

## 8 PROPERTY, PLANT AND EQUIPMENT

### (A) RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of office premises, and therefore recognised the additions to right-of-use assets of \$644,000 (six months ended 30 June 2021: \$1,651,000).

### (B) ACQUISITIONS AND DISPOSAL OF OWNED ASSETS

During the six months ended 30 June 2022, the Group acquired items of equipment with a total cost of \$265,000 (six months ended 30 June 2021: \$12,191,000). No item was disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 9 INTANGIBLE ASSETS – SERVICE CONCESSION ARRANGEMENTS

The service concession arrangements represents the Group's right to operate the Sui-Yue Expressway (Hunan Section) (the "Sui-Yue Expressway") and the First Phase of Qing-Ping Expressway (S209) (the "Qing-Ping Expressway") and receive fees therefrom.

The amortisation of intangible asset – service concession arrangements is recognised in profit or loss on a unit of usage basis over the estimated useful life, which is the period when it is available for use to the end of the concession period.

The recoverable amount of the cash generating unit containing the Sui-Yue Expressway and Qing-Ping Expressway was determined by value in use, based on the expected free cash flows up to the end of the service concession arrangements period, and a pre-tax discount rate. The discount rate is a pre-tax measure estimated using the Capital Asset Pricing Model based on the industry average ratios and the CGU's specific risks.

In prior year, the Sui-Yue Expressway was written down to its recoverable amount. Management are not aware of any significant changes in the assumptions in current period and consider no further provision for impairment loss is necessary.

## 10 INTERESTS IN ASSOCIATES

During the six months ended 30 June 2022, the Group altogether acquired 30% equity interests in Guizhou Renhuai Huayu Wine Co., Ltd. ("Guizhou Renhuai") at a total consideration of RMB25,000 (equivalent to \$28,300). Guizhou Renhuai will be engaged in manufacturing liquor and spirits. The registered capital of Guizhou Renhuai is RMB500,000,000 (equivalent to \$584,650,000) and none of it has been paid up at the date of acquisition. The Group is required to pay up the registered capital to Guizhou Renhuai in accordance with the percentage of its equity interests in Guizhou Renhuai by 1 January 2050. Up to 30 June 2022, the Group has injected RMB61,600,000 (equivalent to \$72,029,000) to Guizhou Renhuai.

## 11 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Trade receivables	10,744	7,424
Prepayments	90,803	139,891
Other receivables	26,735	27,560
	<b>128,282</b>	<b>174,875</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

As at 30 June 2022 and 31 December 2021, all trade receivables, based on the invoice date, are aged within three months.

## 12 CASH AND CASH EQUIVALENTS

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Cash at bank and on hand	278,691	332,574

## 13 ACCRUALS AND OTHER PAYABLES

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Construction payables	16,749	51,562
Receipts in advance	–	501
Payroll and other staff benefits payable	3,823	10,526
VAT and surcharges	1,924	8,302
Interest payable	1,478	1,546
Other payables	20,105	23,465
	44,079	95,902

All of the accruals and other payables are expected to be settled or recognised as income within one year.



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 BANK LOANS AND OTHER BORROWING

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<i>Current liabilities</i>		
Current portion of a long-term secured bank loan	93,544	97,848
Short-term bank loan	58,465	36,693
Subtotal	152,009	134,541
<i>Non-current liability</i>		
Long-term secured bank loan	979,784	1,073,788
Subtotal	979,784	1,073,788
Total	1,131,793	1,208,329

At 30 June 2022 and 31 December 2021, the bank loans was repayable as follows:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Within 1 year or on demand	152,009	134,541
After 1 year but within 2 years	93,544	97,848
After 2 years but within 5 years	286,479	293,544
After 5 years	599,761	682,396
	1,131,793	1,208,329

The Group's rights to operate the Sui-Yue Expressway and receive toll fees therefrom, have been pledged to secure the bank loans.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 14 BANK LOANS AND OTHER BORROWING (CONTINUED)

The long-term secured bank loans of the Group are subject to certain financial covenants. The Group regularly monitors its compliance with these covenants, and adherence to the timetable of the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. As at 30 June 2022, none of the covenants relating to drawn down facilities had been breached (31 December 2021: nil).

## 15 CAPITAL, RESERVES AND DIVIDENDS

### (A) SHARE CAPITAL

	2022		2021	
	No. of shares	\$'000	No. of shares	\$'000
<i>Authorised:</i>				
Ordinary shares of \$0.01 each	10,000,000,000	100,000	10,000,000,000	100,000
<i>Ordinary shares, issued and fully paid:</i>				
At 1 January	412,608,000	4,126	412,608,000	4,126
At 30 June 2022/31 December 2021	412,608,000	4,126	412,608,000	4,126

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (B) RESERVES

#### (i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business. Pursuant to the 134 of articles of association of the Company, dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Law.

#### (ii) Statutory reserve

Pursuant to applicable PRC regulations, PRC subsidiaries are required to appropriate 10% of their profit after tax (after offsetting prior years' losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

#### (iii) Other reserve

The other reserve represents:

- (1) The difference between the historical carrying value of the shares acquired and the acquisition consideration paid by the Company in respect of the combining entities in which the common control combination occurs;
- (2) The difference between the assigned receivable balances over the nominal value of the shares issued by the Company in exchange pursuant to the Group's reorganisation before its initial public offering;
- (3) The differences between the fair value of consideration and the net book value of equity interest and other directly related transaction costs for the acquisition and disposal of interest of subsidiaries from and to non-controlling interest respectively.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (B) RESERVES (CONTINUED)

#### (iv) Share-based compensation reserve

##### (1) *Restricted Share Award Scheme in 2019*

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employee as consideration for equity instruments (restricted shares) of a subsidiary. The restricted shares are recognised for the difference between the grant price and the fair value of the restricted shares at the grant date.

The executive director of a subsidiary approved the Restricted Share Award Scheme (the “Award Scheme”) on 18 June 2019 and 30 July 2019 respectively (the “Grant Dates”). Subsequently the restricted shares were allotted to the selected participants. Selected participants are entitled to the related distribution derived from the relevant restricted shares during the period from the dates of the allotted of the restricted shares to the vesting dates (both dates inclusive) of such restricted shares. No restricted shares were granted or exercised during the six months ended 30 June 2022 (2021: Nil).

The selected participants are management of subsidiaries. The total consideration of the restricted shares is \$6,655,000.

If the selected participant does not meet the vesting conditions, the restricted share will be repurchase based on the net asset of the subsidiary.

The above transactions were considered as equity-settled share-based payments to employees. Share-based payment expenses of \$774,000 were recognised for the period ended 30 June 2022 (the period ended 30 June 2021: \$771,000).

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (B) RESERVES (CONTINUED)

#### (iv) Share-based compensation reserve (CONTINUED)

##### (2) *Share Option Scheme in 2021*

The Company has a share option scheme approved and adopted on 11 June 2020 (“Share Option Scheme”), pursuant to which share options may be granted to certain employees, directors and officers of the Group to subscribe for the ordinary shares of \$0.01 each (the “Share(s)”) of the Company, subject to a maximum of 10% of the total number of Shares in issue as at the date of the passing of the relevant ordinary resolution approving the Share Option Scheme, being 41,260,800 Shares.

On 28 December 2021, the Company granted share options (the “Share Options”) to 2 executive Directors, the chairman of the liquor and spirits trading business Group of the Company and 42 employees of the Group (the “Grantees”) the right to subscribe for a total of 40,000,000 Shares in the share capital of the Company, which represents approximately 9.69% of the Company’s issued Share capital at the date of grant, subject to acceptance of the Grantees. The exercise price is \$2.89 per Share option, which represents the highest of (i) the closing price of \$2.89 per Share as stated in the Stock Exchange’s daily quotation sheets on 28 December 2021, being the date of grant; (ii) the average closing price of \$2.838 per Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of \$0.01 per Share. These Share options granted have no vesting period and will be exercisable until the last day of the one year period after the date of grant of the Share Options, subject to the terms and conditions described in the offer letter at the time of the grant of the Share Options. No share options were granted or exercised while 3,000,000 options were lapsed during the six months ended 30 June 2022.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Binominal Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model. There were no service conditions or market conditions associated with the share option grants. The fair value of the Share Options of \$40,934,000 were recognised in profit or loss upon the issuance in accordance with the terms and conditions of the Share Options.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (B) RESERVES (CONTINUED)

#### (v) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the PRC operation.

### (C) DIVIDENDS

- (i) Dividends payable to equity shareholders attributable to the interim period:

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Interim dividend declared of \$Nil (2021: \$0.06) per share	–	24,756

On 31 May 2021, the Board of the Company declared a special interim dividend of \$0.06 per share to the shareholders of the Company.

No final dividend in respect of the previous financial year was declared during the six months ended 30 June 2022 and 2021.

- (ii) In addition, the long-term secured bank loan of the Group is subject to certain covenants and the Group's PRC subsidiary, Hunan Daoyue Expressway Industry Co., Ltd. ("Daoyue"), is required to obtain prior approval from the bank, before declaring any cash dividend or bonus during the repayment years from 2021 to 2032.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 16 COMMITMENTS

Commitments outstanding at 30 June 2022 not provided for in the interim financial report.

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
Investment in an associate	103,366	–

## 17 CONTINGENT LIABILITIES

In 2021, four individuals (“Plaintiffs”) had collectively initiated legal proceedings in the PRC against Daoyue, a subsidiary of the Group, for disputes in respect of construction contract. Although Daoyue received a judgment from the court which was in favour of the Plaintiffs, the Group had appealed and the case was remitted for retrial during the six months ended 30 June 2022.

Up to the date of the interim financial report, the case is currently at its initial stage of the retrial and no verdicts were concluded. If the Company is found to be liable, the total expected monetary compensation may amount to approximately RMB6,772,000 (equivalent to \$7,919,000) plus the related finance costs and court fees. Based on the opinion from legal advisor, management considers that there are significant uncertainties in the final result of the case and the compensation is not probable. Accordingly, no provision is made in the interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed elsewhere in the interim financial report, the Group entered into the following material related party transactions during the six months ended 30 June 2022:

### (A) MATERIAL TRANSACTIONS WITH RELATED PARTIES:

	Six months ended 30 June	
	2022 \$'000	2021 \$'000
Sales to associates	70,603	209,695
Rendering of services to a company controlled by non-controlling interest	502	463
Receiving services from companies controlled by ultimate controlling shareholder	772	545
Expense paid on behalf by		
– Companies controlled by ultimate controlling shareholder	951	918
– Non-controlling interest	181	138
Consideration of acquisition of a subsidiary from a company controlled by ultimate controlling shareholder	–	152,869
Dividend of a subsidiary paid to		
– Non-controlling interest	–	7,478
– a company controlled by ultimate controlling shareholder	–	11,217
Repayment to a non-controlling interest	174	123,818
Interest on borrowing from a non-controlling interest	–	1,923



# Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (B) BALANCES WITH RELATED PARTIES

As at 30 June 2022 and 31 December 2021, the Group had the following balances with related parties:

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<b>Amounts due from related parties</b>		
<b>Non-trade nature</b>		
– A company controlled by ultimate controlling shareholder	2,771	2,899
– Non-controlling interests	18,292	28,569
<b>Trade nature</b>		
– An associate	–	4,929
	<b>21,063</b>	<b>36,397</b>
<b>Amounts due to related parties</b>		
<b>Non-trade nature</b>		
– Companies controlled by ultimate controlling shareholder	992	882
– A company controlled by a non-controlling interest	23	24
– Non-controlling interest	73	71
<b>Trade nature</b>		
– Associates	4,444	3,301
	<b>5,532</b>	<b>4,278</b>
<b>Contract liabilities</b>		
– Associates	28,605	4,249
<b>Amount due to the controlling shareholder of the Company</b>		
Non-trade nature	<b>101,976</b>	<b>101,976</b>

All the balances with related parties are unsecured and interest free.

# Review Report of Interim Financial Report



## Review report to the board of directors of Huayu Expressway Group Limited

*(Incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 40 which comprises the consolidated statement of financial position of Huayu Expressway Group Limited (“the Company”) and its subsidiaries (together “the Group”) as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Review Report of Interim Financial Report

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 August 2022