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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 2021

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 2021, together with comparative figures for the year ended 31 December 2020 (restated) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000 (restated)
Revenue	4	1,047,888	580,126
Cost of sales		(647,927)	(376,015)
Gross profit		399,961	204,111
Other revenue	5	6,164	4,302
Other net income	5	5,752	15,651
Administrative expenses		(105,355)	(49,810)
Selling and distribution costs		(31,113)	(10,694)
Profit from operations		275,409	163,560
Finance costs	6(a)	(59,459)	(55,501)
Share of profit of associates		17,090	3,434
Profit before taxation	6	233,040	111,493
Income tax	7	(71,082)	(24,610)
Profit for the year		161,958	86,883
Attributable to:			
Equity shareholders of the Company		104,237	73,911
Non-controlling interests		57,721	12,972
Profit for the year		161,958	86,883
Earnings per share (cents)	8		
Basic		25.26	17.91
Diluted		25.26	17.91

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Profit for the year	161,958	86,883
Other comprehensive income for the year:		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of subsidiaries outside Hong Kong	<u>23,634</u>	<u>39,735</u>
Total comprehensive income for the year	<u>185,592</u>	<u>126,618</u>
Attributable to:		
Equity shareholders of the Company	123,678	100,584
Non-controlling interests	<u>61,914</u>	<u>26,034</u>
Total comprehensive income for the year	<u>185,592</u>	<u>126,618</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment		36,264	19,323
Intangible asset – service concession arrangement		1,470,824	1,497,518
Interests in associates		41,665	22,129
Deferred tax assets		139,452	145,390
		<u>1,688,205</u>	<u>1,684,360</u>
Current assets			
Inventories		100,004	94,495
Other current assets		1,641	459
Trade and other receivables	9	174,875	36,562
Amounts due from related parties		36,397	57,913
Cash and cash equivalents		332,574	246,545
		<u>645,491</u>	<u>435,974</u>
Current liabilities			
Accruals and other payables	10	95,902	86,799
Amounts due to related parties		4,278	9,988
Contract liabilities		30,953	6,591
Bank loans and other borrowing		134,541	154,466
Lease liabilities		1,796	1,285
Current taxation		10,331	5,177
		<u>277,801</u>	<u>264,306</u>
Net current assets		<u>367,690</u>	<u>171,668</u>
Total assets less current liabilities		<u>2,055,895</u>	<u>1,856,028</u>

	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
Non-current liabilities		
Bank loans and other borrowing	1,073,788	935,315
Amount due to the controlling shareholder of the Company	101,976	101,976
Lease liabilities	1,851	947
	<u>1,177,615</u>	<u>1,038,238</u>
NET ASSETS	878,280	817,790
CAPITAL AND RESERVES		
Share capital	4,126	4,126
Reserves	572,672	608,315
	<u>576,798</u>	<u>612,441</u>
Total equity attributable to equity shareholders of the Company	576,798	612,441
Non-controlling interests	301,482	205,349
	<u>878,280</u>	<u>817,790</u>
TOTAL EQUITY	878,280	817,790

NOTES

(Expressed in Hong Kong dollars unless otherwise stated)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the construction, operation and management of expressways and the trading of liquor and spirits in the People's Republic of China ("PRC").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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. 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 of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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.

Merger accounting for business combination involving a subsidiary under common control

On 7 April 2021, Good Sign Limited (a wholly-owned subsidiary of the Company, the “Purchaser”) entered into an Equity Transfer Agreement with Shenzhen Huayu Investment & Development Group Co., Ltd.¹ (the “Vendor”), a company wholly-owned by Mr. Chan Yeung Nam (“Mr. Chan”). Mr. Chan is the ultimate controlling shareholder of the Company and Shenzhen Huayu Expressway Investment Co., Ltd. (the “Target Company”). Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the 60% equity interests in the Target Company (representing the entire equity interests held by the Vendor in the Target Company) at a consideration of RMB127.2 million (approximately HK\$152.9 million) (the “Acquisition”).

The consideration of the Acquisition is 60% of the completion net asset value, being defined as the sum of (i) net asset value of the Target Company at the date of completion and (ii) the fair value gain of land and buildings of the Target Company, being the difference between the book value and the fair value of the land and buildings at the date of completion.

On 25 April 2021, the Board of the Target Company has declared the payment of dividends to the Vendor and the non-controlling shareholder by the way of offsetting with amount due from related parties of HK\$11,272,000 and HK\$7,515,000 respectively.

The principal activities of the Target Company are construction, operation and management of the First Phase of Qing-Ping Expressway (S209). Details of the Acquisition are set out in the Company's circular dated 30 April 2021.

The Acquisition were completed on 29 June 2021 (“Completion Date”). The consideration of HK\$152.9 million was satisfied by the Company through the payment in cash.

The Acquisition was considered as a business combination under common control as the Group and the Target Company are both ultimately controlled by Mr. Chan. The acquisition of the Target Company was accounted for using merger accounting in accordance with Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA. The Group and the Target Company are regarded as continuing entities.

Under merger accounting, based on the guidance set out in AG 5, the financial information incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entities or businesses against the related investment costs have been made to other reserve in the consolidated financial statements.

¹ Chinese official name of the Vendor is “深圳華昱投資開發(集團)有限公司”. The English name of the Vendor is translation and for identification purposes only.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the results of the Target Company as if these acquisitions had been completed since the date the respective business first came under the common control of the Company. The consolidated statement of financial position as at 1 January 2020 and 31 December 2020 have been restated to adjust the carrying amounts of the assets and liabilities of the Target Company which had been in existence as at 1 January 2020 and 31 December 2020 as if those entities or businesses were combined from the date when they first came under the common control of the Company (see below for the financial impacts).

(i) Effect on the consolidated statement of profit or loss for the year ended 31 December 2020:

	For the year ended 31 December 2020 as previously reported HK\$'000	Adjustments for the combination using merger accounting HK\$'000	For the year ended 31 December 2020 as restated HK\$'000
Revenue	505,962	74,164	580,126
Cost of sales	(319,161)	(56,854)	(376,015)
Gross profit	186,801	17,310	204,111
Other revenue	2,762	1,540	4,302
Other net income	15,230	421	15,651
Administrative expenses	(42,066)	(7,744)	(49,810)
Selling and distribution costs	(10,694)	–	(10,694)
Profit from operations	152,033	11,527	163,560
Finance costs	(51,705)	(3,796)	(55,501)
Share of profit of associates	3,434	–	3,434
Profit before taxation	103,762	7,731	111,493
Income tax	(22,900)	(1,710)	(24,610)
Profit for the year	<u>80,862</u>	<u>6,021</u>	<u>86,883</u>
Attributable to:			
Equity shareholders of the Company	70,299	3,612	73,911
Non-controlling interests	10,563	2,409	12,972
Profit for the year	<u>80,862</u>	<u>6,021</u>	<u>86,883</u>
Earnings per share (cents)			
Basic and diluted	<u>17.04</u>	<u>0.87</u>	<u>17.91</u>

- (ii) Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020:

	For the year ended 31 December 2020 as previously reported <i>HK\$'000</i>	Adjustments for the combination using merger accounting <i>HK\$'000</i>	For the year ended 31 December 2020 as restated <i>HK\$'000</i>
Profit for the year	80,862	6,021	86,883
Other comprehensive income for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of: – financial statements of subsidiaries outside Hong Kong	27,997	11,738	39,735
Total comprehensive income for the year	<u>108,859</u>	<u>17,759</u>	<u>126,618</u>
Attributable to:			
Equity shareholders of the Company	89,928	10,656	100,584
Non-controlling interests	18,931	7,103	26,034
Total comprehensive income for the year	<u>108,859</u>	<u>17,759</u>	<u>126,618</u>

(iii) Effect on the consolidated statement of financial position as at 1 January 2020:

	As at 1 January 2020 as previously reported <i>HK\$'000</i>	Adjustments for the combination using merger accounting <i>HK\$'000</i>	As at 1 January 2020 as restated <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	19,042	618	19,660
Intangible asset – service concession arrangement	1,236,431	195,487	1,431,918
Interests in associates	2,423	–	2,423
Deferred tax assets	140,387	–	140,387
	<u>1,398,283</u>	<u>196,105</u>	<u>1,594,388</u>
Current assets			
Inventories	63,880	–	63,880
Trade and other receivables	55,924	3,956	59,880
Amounts due from related parties	10,382	49,886	60,268
Cash and cash equivalents	234,863	27,660	262,523
	<u>365,049</u>	<u>81,502</u>	<u>446,551</u>
Current liabilities			
Accruals and other payables	84,611	13,457	98,068
Amounts due to related parties	758	1,557	2,315
Contract liabilities	25,287	–	25,287
Bank loans and other borrowing	89,304	39,071	128,375
Lease liabilities	1,291	–	1,291
Current taxation	6,079	1,907	7,986
	<u>207,330</u>	<u>55,992</u>	<u>263,322</u>
Net current assets	<u>157,719</u>	<u>25,510</u>	<u>183,229</u>
Total assets less current liabilities	<u>1,556,002</u>	<u>221,615</u>	<u>1,777,617</u>

	As at 1 January 2020 as previously reported <i>HK\$'000</i>	Adjustments for the combination using merger accounting <i>HK\$'000</i>	As at 1 January 2020 as restated <i>HK\$'000</i>
Non-current liabilities			
Bank loans and other borrowing	934,532	44,652	979,184
Amount due to the controlling shareholder of the Company	101,976	–	101,976
Lease liabilities	1,787	–	1,787
	<u>1,038,295</u>	<u>44,652</u>	<u>1,082,947</u>
NET ASSETS	517,707	176,963	694,670
CAPITAL AND RESERVES			
Share capital	4,126	–	4,126
Reserves	404,676	106,178	510,854
Total equity attributable to equity shareholders of the Company	408,802	106,178	514,980
Non-controlling interests	108,905	70,785	179,690
TOTAL EQUITY	<u>517,707</u>	<u>176,963</u>	<u>694,670</u>

(iv) Effect on the consolidated statement of financial position as at 31 December 2020:

	As at 31 December 2020 as previously reported <i>HK\$'000</i>	Adjustments for the combination using merger accounting <i>HK\$'000</i>	As at 31 December 2020 as restated <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	18,517	806	19,323
Intangible asset – service concession arrangement	1,312,774	184,744	1,497,518
Interests in associates	22,129	–	22,129
Deferred tax assets	145,390	–	145,390
	<u>1,498,810</u>	<u>185,550</u>	<u>1,684,360</u>
Current assets			
Inventories	94,495	–	94,495
Other current assets	459	–	459
Trade and other receivables	34,983	1,579	36,562
Amounts due from related parties	4,814	53,099	57,913
Cash and cash equivalents	230,775	15,770	246,545
	<u>365,526</u>	<u>70,448</u>	<u>435,974</u>
Current liabilities			
Accruals and other payables	76,423	10,376	86,799
Amounts due to related parties	8,422	1,566	9,988
Contract liabilities	6,591	–	6,591
Bank loans and other borrowing	106,938	47,528	154,466
Lease liabilities	1,285	–	1,285
Current taxation	3,371	1,806	5,177
	<u>203,030</u>	<u>61,276</u>	<u>264,306</u>
Net current assets	<u>162,496</u>	<u>9,172</u>	<u>171,668</u>
Total assets less current liabilities	<u>1,661,306</u>	<u>194,722</u>	<u>1,856,028</u>

	As at 31 December 2020 as previously reported <i>HK\$'000</i>	Adjustments for the combination using merger accounting <i>HK\$'000</i>	As at 31 December 2020 as restated <i>HK\$'000</i>
Non-current liabilities			
Bank loans and other borrowing	935,315	–	935,315
Amount due to the controlling shareholder of the Company	101,976	–	101,976
Lease liabilities	947	–	947
	<u>1,038,238</u>	<u>–</u>	<u>1,038,238</u>
NET ASSETS	623,068	194,722	817,790
CAPITAL AND RESERVES			
Share capital	4,126	–	4,126
Reserves	491,481	116,834	608,315
Total equity attributable to equity shareholders of the Company	495,607	116,834	612,441
Non-controlling interests	127,461	77,888	205,349
TOTAL EQUITY	<u>623,068</u>	<u>194,722</u>	<u>817,790</u>

- (v) The effect of the restatement on the Group's cash flow for the year ended 31 December 2020 is summarised as follows:

	For the year ended 31 December 2020 as previously reported <i>HK\$'000</i>	Adjustments for the combination using merger accounting <i>HK\$'000</i>	For the year ended 31 December 2020 as restated <i>HK\$'000</i>
Operating activities			
Cash generated from operations	125,530	35,316	160,846
PRC corporate income tax paid	(19,699)	(938)	(20,637)
	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	105,831	34,378	140,209
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Investing activities			
Payment for the purchase of fixed assets	(3,756)	(251)	(4,007)
Payment for intangible assets	(12,282)	–	(12,282)
Proceeds from disposal of intangible assets	5,623	–	5,623
Payment for investment in associates	(15,070)	(2,519)	(17,589)
Interest received	2,374	320	2,694
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(23,111)	(2,450)	(25,561)
	<hr/>	<hr/>	<hr/>
Financing activities			
Capital element of lease rentals paid	(1,362)	–	(1,362)
Interest element of lease rentals paid	(136)	–	(136)
Repayment of bank loans and other borrowing	(44,984)	(41,240)	(86,224)
Capital injection from non-controlling investors	515	–	515
Borrowing costs paid	(51,555)	(3,796)	(55,351)
Acquisition of additional interests in a subsidiary	(787)	–	(787)
	<hr/>	<hr/>	<hr/>
Net cash used in financing activities	(98,309)	(45,036)	(143,345)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net decrease in cash and cash equivalents	(15,589)	(13,108)	(28,697)
Cash and cash equivalents at 1 January	234,863	27,660	262,523
Effect of foreign exchange rate changes	11,501	1,218	12,719
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<u>230,775</u>	<u>15,770</u>	<u>246,545</u>

3. 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 HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *COVID-19-Related Rent Concessions beyond 30 June 2021*

None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are construction, operation and management of Sui-Yue Expressway (Hunan Section) (the "Sui-Yue Expressway") and the First Phase of Qing Ping Expressway (the "Qing Ping Expressway", collectively the "Expressways"), and the trading of liquor and spirits in the PRC. Further details regarding the Group's principal activities are disclosed in note 4(b).

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Toll income	324,870	214,650
– Sales of liquor and spirits	723,018	365,476
	<u>1,047,888</u>	<u>580,126</u>

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 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.

(i) 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.

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 years ended 31 December 2021 and 2020 (restated) is set out below.

	For the year ended 31 December 2021			
	Sui-Yue Expressway HK\$'000	Qing Ping Expressway HK\$'000	Liquor and spirits HK\$'000	Total HK\$'000
Reportable segment revenue	<u>217,685</u>	<u>107,185</u>	<u>723,018</u>	<u>1,047,888</u>
Reportable segment profit (adjusted EBITDA)	<u>176,282</u>	<u>55,028</u>	<u>154,800</u>	<u>386,110</u>
Interest income from bank deposits	876	392	1,534	2,802
Interest expense	(56,232)	(2,190)	(1,014)	(59,436)
Depreciation and amortisation for the year	(45,219)	(29,414)	(2,244)	(76,877)
As at 31 December 2021				
Reportable segment assets	1,421,082	222,798	500,139	2,144,019
Reportable segment liabilities	1,225,306	22,602	108,657	1,356,565
	For the year ended 31 December 2020 (restated)			
	Sui-Yue Expressway HK\$'000	Qing Ping Expressway HK\$'000	Liquor and spirits HK\$'000	Total HK\$'000
Reportable segment revenue	<u>140,486</u>	<u>74,164</u>	<u>365,476</u>	<u>580,126</u>
Reportable segment profit (adjusted EBITDA)	<u>110,607</u>	<u>36,762</u>	<u>80,134</u>	<u>227,503</u>
Interest income from bank deposits	214	285	764	1,263
Interest expense	(51,569)	(3,796)	(58)	(55,423)
Depreciation and amortisation for the year	(38,686)	(25,520)	(1,288)	(65,494)
As at 31 December 2020				
Reportable segment assets	1,415,358	255,998	238,351	1,909,707
Reportable segment liabilities	1,294,962	59,470	27,179	1,381,611

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Revenue		
Reportable segment revenue	<u>1,047,888</u>	<u>580,126</u>
Consolidated revenue (<i>note 4(a)</i>)	<u><u>1,047,888</u></u>	<u><u>580,126</u></u>
Profit		
Reportable segment profit (adjusted EBITDA)	<u>386,110</u>	<u>227,503</u>
Reportable segment profit derived from Group's external customers and associates	386,110	227,503
Other revenue	1,493	1,396
Other net income	2,438	14,672
Depreciation and amortisation	(76,877)	(65,494)
Finance costs	(59,436)	(55,423)
Unallocated head office and corporate expenses	<u>(20,688)</u>	<u>(11,161)</u>
Consolidated profit before taxation	<u><u>233,040</u></u>	<u><u>111,493</u></u>
Assets		
Reportable segment assets	2,144,019	1,909,707
Elimination of inter-segment receivables	<u>(19,399)</u>	<u>(71,413)</u>
	2,124,620	1,838,294
Deferred tax assets	139,452	145,390
Unallocated head office and corporate assets	<u>69,624</u>	<u>136,650</u>
Consolidated total assets	<u><u>2,333,696</u></u>	<u><u>2,120,334</u></u>
Liabilities		
Reportable segment liabilities	1,356,565	1,381,611
Elimination of inter-segment payables	<u>(19,948)</u>	<u>(190,887)</u>
	1,336,617	1,190,724
Current taxation	10,331	5,177
Unallocated head office and corporate liabilities	<u>108,468</u>	<u>106,643</u>
Consolidated total liabilities	<u><u>1,455,416</u></u>	<u><u>1,302,544</u></u>

5. OTHER REVENUE AND NET INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Other revenue		
Billboard rental income	1,869	1,608
Interest income from bank deposits	4,295	2,694
	<u>6,164</u>	<u>4,302</u>
Other net income		
Net foreign exchange gain	2,489	14,802
Others	3,263	849
	<u>5,752</u>	<u>15,651</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Interest on bank loans and other borrowing	59,321	51,365
Interest on lease liabilities	138	136
	<u>59,459</u>	<u>55,501</u>

There is no borrowing costs capitalised for the year ended 31 December 2021 (2020: Nil).

(b) Staff costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Salaries, wages and other benefits	60,504	46,134
Contributions to defined contribution retirement plans	4,326	2,888
Share-based payment expenses	42,513	1,652
	<u>107,343</u>	<u>50,674</u>

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the “Scheme”) organised by the local authority whereby the PRC subsidiaries are 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. Contributions to the plan vest immediately.

There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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.

(c) **Other items**

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i> (restated)
Auditors’ remuneration		
– annual audit and interim review services	2,981	2,690
– other service	340	899
Depreciation charge		
– owned property, plant and equipment	5,741	4,468
– right-of-use assets	1,781	1,429
Amortisation	70,289	59,914

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Current tax – PRC corporate income tax		
– Provision for the year	60,976	20,798
– Under/(over)-provision in respect of prior year	66	(10)
	<u>61,042</u>	<u>20,788</u>
Deferred tax – Origination and reversal of temporary differences	10,040	3,822
	<u>71,082</u>	<u>24,610</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 2021 and 2020.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are subject to PRC corporate income tax at a rate of 25% (2020: 25%) on its assessable profits. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible asset – service concession arrangement, deductible tax losses and other deductible temporary differences.
- (iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise directly.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Profit before taxation	<u>233,040</u>	<u>111,493</u>
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	62,917	26,357
Tax effect on unused tax losses not recognised	566	487
Tax effect on deductible temporary differences	1,391	–
Tax effect of non-deductible expenses	8,472	328
Tax effect of non-taxable income	(4,607)	(883)
Use of tax losses carried from previous years	(751)	(1,669)
Under/(over)-provision in prior years	66	(10)
Withholding tax in the PRC	<u>3,028</u>	<u>–</u>
Income tax	<u>71,082</u>	<u>24,610</u>

8. EARNINGS PER SHARE

(a) Basic earnings per share

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Issued ordinary shares at 1 January	<u>412,608</u>	<u>412,608</u>
Weighted average number of ordinary shares at 31 December	<u>412,608</u>	<u>412,608</u>

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company of HK\$104,237,000 (2020 (restated): profit of HK\$73,911,000) and the weighted average number of 412,608,000(2020: 412,608,000) shares in issue during the year.

(b) Diluted earnings per share

In 2020, there were no dilutive potential ordinary shares, therefore, diluted earnings per share is equivalent to basic earnings per share.

In 2021, the calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$104,237,000 and the weighted average number of ordinary shares of 412,664,000 shares, calculated as follows:

	Weighted average number of ordinary shares (diluted)	
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares at 31 December	412,608	412,608
Effect of deemed issue of shares under the Company's share option scheme	<u>56</u>	<u>–</u>
Weighted average number of ordinary shares(diluted) at 31 December	<u>412,664</u>	<u>412,608</u>

9. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (restated)
Trade receivables	7,424	8,256
Prepayments (note (i))	139,891	24,243
Other receivables	<u>27,560</u>	<u>4,063</u>
	<u>174,875</u>	<u>36,562</u>

- (i) The balance as at 31 December 2021 mainly represented prepayment to suppliers of liquor and spirits business.

Trade receivables represent toll revenue receivables from toll road operation. At 31 December 2021, all of trade receivables are aged within one month and the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the Expressways.

There was no recent history of default in respect of the Group's debtors. Since the debtors are local government authorities and government agencies in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the trade receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 31 December 2021 (2020: Nil).

10. ACCRUALS AND OTHER PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Construction payables	51,562	47,498
Receipts in advance	501	2,296
Payroll and other staff benefits payable	10,526	11,281
VAT and surcharges	8,302	2,100
Interest payable	1,546	6,516
Other payables	23,465	17,108
	<u>95,902</u>	<u>86,799</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

From mid-2020, with the ease of restrictions and resumption of the economy in the PRC, the most difficult period was over and the business has been rapidly back to normal. For the year ended 31 December 2021, the total revenue of the Group increased to about HK\$1,047.9 million and the profit for the year was about HK\$162.0 million.

REVENUE

For the year ended 31 December 2021, the Group recorded revenue of approximately HK\$1,047.9 million, increased by 80.6% from that for the year ended 31 December 2020 (restated) of approximately HK\$580.1 million. The 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”) was about HK\$324.9 million for the year ended 31 December 2021, increased by 51.3% from about HK\$214.7 million for the year ended 31 December 2020. For the Sui-Yue Expressway, the toll revenue and the traffic flow were about HK\$217.7 million and 12.7 million vehicles respectively for the year ended 31 December 2021, increased by about 55.0% and 37.1% from that for the year ended 31 December 2020. The toll revenue and the traffic flow of the Qing Ping Expressway were about HK\$107.2 million and 27.0 million vehicles respectively, increased by about 44.5% and 29.3% from that for the year ended 31 December 2020. On the other hand, the revenue from the sales of liquor and spirits was about HK\$723.0 million for the year ended 31 December 2021, increased significantly by 97.8% from that for the year ended 31 December 2020.

About the traffic volume of the Expressways, the total tolled vehicles using the Sui-Yue Expressway and Qing Ping Expressway for the year ended 31 December 2021 were about 12.7 million and 27.0 million respectively, representing increases of about 37.1% and 29.3% from that for the year ended 31 December 2020. The major reason for the increase was the implementation of toll fee exemption policy in the first half of 2020. With the resumption of economic activities in the PRC after the pandemic period, the business of the Expressways was back to the right track.

For the sales of liquor and spirits, the lock-down of the PRC cities during the pandemic period discouraged the consumption of liquor and spirits in social gathering and business entertainment in the first half of 2020. With the reopening of economic activities, the sales of liquor and spirits recovered significantly for the year ended 31 December 2021. The total revenue was about HK\$723.0 million for the year ended 31 December 2021, increased by about 97.8% from that of HK\$365.5 million for the year ended 31 December 2020. The increase in the unit selling price of our Huamaojiu due to the high demand was one of the major reasons for the big jump of revenue for the year ended 31 December 2021. In addition, the Group was granted the sole distributorship for another brand of wine, Xijiushaofang (習酒燒坊), which contributed about one-fifth of the total revenue of the liquors and spirits business.

COST AND GROSS PROFIT

The Group had a gross profit of about HK\$400.0 million for the year ended 31 December 2021, increased by 96.0% from about HK\$204.1 million for the year ended 31 December 2020 (restated). The increase in gross profit was mainly due to the increase in the revenues after the COVID-19 pandemic period in mid-2020.

The gross profit ratio was about 38.2% for the year ended 31 December 2021, increased from about 35.2% for the year ended 31 December 2020 (restated). For the Sui-Yue Expressway, the cost of sales was about HK\$69.1 million and the gross profit ratio was about 68.3% for the year ended 31 December 2021. On the other hand, the cost of sales and the gross profit ratio of the Qing Ping Expressway were about HK\$74.1 million and 30.8% respectively for the year ended 31 December 2021. The gross profit ratios of the Expressways increased from 58.9% of the Sui-Yue Expressway and 23.3% of the Qing Ping Expressway for the year ended 31 December 2020 mainly because of the toll fee exemption policy during the COVID-19 pandemic period in mid-2020.

The total cost of sales for the liquor and spirits trading business was about HK\$504.7 million and its gross profit ratio was about 30.2% for the year ended 31 December 2021. The increase in gross profit ratio from about 28.5% of the year ended 31 December 2020 was mainly due to the increase in the unit selling price during the year ended 31 December 2021.

OTHER REVENUE AND OTHER NET INCOME

The Group recorded other revenue of approximately HK\$6.2 million and HK\$4.3 million for the year ended 31 December 2021 and 2020 (restated) respectively. In addition, the other net income were about HK\$5.8 million and HK\$15.7 million for the year ended 31 December 2021 and 2020 (restated) respectively. Other revenue of the Group was mainly the rental income from the billboards along the Expressways and interest income from bank deposits. Other net income mainly represented the exchange gain and compensation income for traffic accidents from the Expressways users.

ADMINISTRATIVE EXPENSES

Administrative expenses for the year ended 31 December 2021 were approximately HK\$105.4 million, increased by 111.5% from approximately HK\$49.8 million for the year ended 31 December 2020 (restated). The increase was mainly because of the increase in staff costs about the expansion of liquors and spirits trading business and the share-based payment expenses of about HK\$42.5 million about the granting share options during the year ended 31 December 2021.

SELLING AND DISTRIBUTION COSTS

The Group recorded about HK\$31.1 million selling and distribution costs, including advertising fee and staff salary for the year ended 31 December 2021, significantly increased by 190.9% from about HK\$10.7 million for the year ended 31 December 2020. The amount was mainly used for the liquor and spirits trading business. Since the reopening of economic activities and ease of social distance restriction requirements after the COVID-19 pandemic period in mid-2020, the Group significantly increased the amount spent on advertising campaigns and promotion events during the year ended 31 December 2021.

FINANCIAL COSTS

For the year ended 31 December 2021, the finance costs of the Group were about HK\$59.5 million, increased by 7.1% from approximately HK\$55.5 million for the year ended 31 December 2020 (restated). The increase was mainly due to the increase of the amount of total bank loans during the year ended 31 December 2021.

PROFIT FOR THE YEAR

For the year ended 31 December 2021, the Group recorded profit before taxation of about HK\$233.0 million, increased by about 109.0% from about HK\$111.5 million for the year ended 31 December 2020 (restated). The Group had a profit of approximately HK\$162.0 million for the year ended 31 December 2021, compared to about HK\$86.9 million for the year ended 31 December 2020 (restated). The increase of the profit for the year was mainly attributed by the significant growth in the trading of liquor and spirits business following the ease of restrictions and the resumption of economic activities in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2021, the Group financed its operations and capital expenditures by internal resources of the Company, borrowings from the controlling shareholder of the Company, the non-controlling shareholder of Hunan Daoyue Expressway Industry Co., Ltd. and bank loans. As at 31 December 2021, total bank loans drawn by the Group amounted to about HK\$1,208.3 million (2020: (restated) approximately HK\$1,089 million), the amount due to the controlling shareholder of the Company was HK\$102.0 million (2020: HK\$102.0 million) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately HK\$332.6 million (2020: (restated) approximately HK\$246.5 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient cash and bank balances and standby banking facilities to cope with daily operation and any demands for capital in future development. As at 31 December 2021, total banking facilities of the Group amounted to approximately HK\$1,208.3 million from China Merchants Bank, which were mainly for the settlement of construction costs of the Sui-Yue Expressway. The ratio of total outstanding bank loans and other borrowings and lease liabilities to total equity was 1.38 (2020: (restated) 1.34).

As at 31 December 2021, the bank loans and other borrowings were repayable as follows:

	2021 HK\$'000	2020 HK\$'000 (restated)
Within 1 year or on demand	134,541	154,466
After 1 year but within 2 years	97,848	118,820
After 2 years but within 5 years	293,544	507,563
After 5 years	682,396	308,932
	1,208,329	1,089,781

The Group's borrowings were mainly arranged on a floating rate basis. During the year ended 31 December 2021, the Group did not enter into any hedging arrangements to hedge against exposure in interest rate risk. Any substantial fluctuation of interest rate may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's interest rate exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

INTANGIBLE ASSET – SERVICE CONCESSION ARRANGEMENT

The service concession arrangement represents 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 asset 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 year ended 31 December 2021.

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 2021, 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 2021, the bank loans of HK\$1,171.6 million from China Merchants Bank was secured by the pledge of the toll collection right in relation to the Sui-Yue Expressway.

CAPITAL COMMITMENTS

As at 31 December 2021, there was no material capital commitment outstanding for the Company.

BUSINESS REVIEW

Sui-Yue Expressway

Due to the COVID-19 pandemic and the toll fee exemption policy, the operation of Sui-Yue Expressway was significantly affected in 2020. With the resumption of the economy after the lock down policy, the economic activities were back to normal in 2021. Average traffic flow for the year ended 31 December 2021 was about 1.06 million vehicles per month, which significantly increased from about 771,000 vehicles per month for the year ended 31 December 2020. The average toll for the year was about HK\$17.2 per vehicle, increased by 13.2% from HK\$15.2 per vehicle for the year ended 31 December 2020.

Qing Ping Expressway

On 7 April 2021, the Group entered into an equity transfer agreement to acquire 60% interests in Shenzhen Huayu Expressway Investment Co., Ltd., which possessed an exclusive right to operate the Qing Ping Expressway. Qing Ping Expressway is a six-lane expressway that connects Shenzhen Qingshuihe Checkpoint and Bulong Interchange on Shuiguan Expressway. Shuiguan Expressway is a major expressway linking the central business district of Shenzhen with Longgang District and Pingshan New Zone. Completion of the acquisition took place on 29 June 2021.

For the year ended 31 December 2021, the total toll revenue of Qing Ping Expressway was about HK\$107.2 million, increased by 44.5% from about HK\$74.2 million for the year ended 31 December 2020. The average traffic flow for the year was about 2.2 million vehicles per month, increased by about 29.3% from about 1.7 million vehicles per month for the year ended 31 December 2020. Average toll for the year ended 31 December 2021 was about HK\$4.0 per vehicle.

Trading of Liquor and Spirits

With the ease of restrictions and resumption of the economy in the PRC after the COVID-19 pandemic period in mid-2020, the demand and consumption of liquor and spirits resumed rapidly. For the year ended 31 December 2021, the Group recorded total revenue of about HK\$723.0 million, which was about double of that for the year ended 31 December 2020. During the year ended 31 December 2021, more active marketing campaigns and promotions were organised, such as wine tasting conference, sponsorship of major sports events, billboard advertisements in major airports and transportation hubs in the PRC, advertisements in major TV channels, and etc. With the established marketing networks and efficient distribution channels, the reportable segment profit (adjusted EBITDA) for the year ended 31 December 2021 of the liquor and spirits segment was about HK\$154.8 million, increased by about 93.2% from that for the year ended 31 December 2020.

SPECIAL INTERIM DIVIDEND

The Group declared a special interim dividend of HK\$0.06 per share to the shareholders of the Company on 31 May 2021 after considering the business, financial and cashflow position of the Group. The dividend was paid on 9 July 2021.

Employees and emoluments

As at 31 December 2021, the Group had a total of 480 (2020 (restated): 482) employees in the PRC and Hong Kong which included management staff, engineers and technicians. For the year ended 31 December 2021, the Group's total expenses on the remuneration of employees were approximately HK\$107.34 million (2020 (restated): HK\$50.7 million), of which there was an amount of about HK\$42.5 million of share-based payment expenses from the share options granted during the year (2020: HK\$1.7 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 (for Hong Kong employees), the contribution retirement benefit scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of their performance.

The Company adopted a share option scheme on 11 June 2020 for the purpose of motivating eligible persons to optimise 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. 40,000,000 options have been granted under the share option scheme as at 31 December 2021.

PROSPECTS

With the outbreak of the COVID-19 pandemic in the PRC in 2020, the Group faced an unprecedented challenge in its business. But from mid-2020, with the ease of restrictions and resumption of the economy in the PRC, the most difficult period was over and the business has been rapidly back to normal. During the year, the traffic flow and the toll revenue of the Expressways resumed to the level before the pandemic period. Although there were some occasional, short interruptions in the operation because of the minor occasional COVID-19 outbreak throughout the year ended 31 December 2021, with the recovery and growth in the economic activities around the Expressways, the future of the expressway business is prosperous.

During the year ended 31 December 2021, the Group acquired 60% equity interests of the Qing Ping Expressway. The acquisition will expand the Group's portfolio of experience in managing and operating expressways, which will give the Group a competitive edge when bidding for construction, operation and management rights of other expressways in the PRC in the future. Therefore, the acquisition will further increase the market shares and scale of the Group's core business, producing great synergistic effect in terms of business growth and the Group's future developments. As Qing Ping Expressway is located in Shenzhen, one of the major cities in the PRC, the prospect of it is promising. The Group believes that the acquisition can enhance the Group's competitiveness, further strengthen the Group's reputation within the industry and improve its earning base in the future.

The business of trading liquor and spirits also recovered and improved significantly during the year ended 31 December 2021. The Group is full of confidence about the performance of this business segment in the post COVID-19 pandemic period. With the established marketing network and efficient distribution channel, the Group will continue its effort in the brand building for the Huamaojiu and Xijiushaofang. More sales and marketing activities will be arranged, such as the wine tasting events and promotion conference.

With the experience of the Directors in successfully completing other 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 strategy, 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, with the success in the developing business in trading liquors and spirits, the Group will also consider extending its operation to include some other prosperous businesses 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 entire issued share capital ("Shares") as required under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2021.

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 Shares for the year ended 31 December 2021.

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 2021, 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 2021.

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 (the “Audit Committee”) 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, 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 and has professional qualification and experience in financial matters in compliance with the requirements 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 results of the Group for the year ended 31 December 2021. The Audit Committee considered that the consolidated results of the Group for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made. The auditor of the Company, KPMG, has agreed that the financial figures in respect of the Group’s annual results for the year ended 31 December 2021 contained in this announcement are consistent with the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend any final dividend payment for the year ended 31 December 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held in Hong Kong on 9 June 2022. 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 6 June 2022 to 9 June 2022 (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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on 2 June 2022.

PUBLICATION OF 2021 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 2021 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, 25 March 2022

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