

# 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

2024  
Interim Report



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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

Chu Kin Wang, Peleus  
Hu Lie Ge  
Lam Hon Kuen

## BOARD COMMITTEES

### AUDIT COMMITTEE

Chu Kin Wang, Peleus (*Chairman*)  
Hu Lie Ge  
Lam Hon Kuen

### NOMINATION COMMITTEE

Lam Hon Kuen (*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

## 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

Crowe (HK) CPA Limited  
9/F Leighton Centre  
77 Leighton Road  
Causeway Bay  
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 Minsheng Bank

## COMPANY WEBSITE

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

## STOCK CODE

1823

# Management Discussion and Analysis

## FINANCIAL REVIEW

### REVENUE

Due to the contraction of the consumer market in the People's Republic of China (the "PRC"), there were substantial declines in both of the revenue and the profit of Huayu Expressway Group Limited (the "Company") and its subsidiaries (collectively, the "Group"). During the six months ended 30 June 2024 (the "Period"), the Group recorded a revenue of approximately RMB128.8 million, decreased by about 53.5% from approximately RMB276.8 million for the corresponding period of last year. The total toll revenue received from the First Phase of Qing Ping Expressway (the "Qing Ping Expressway") for the Period was about RMB34.1 million, decreased by about 9.9% from about RMB37.8 million for the corresponding period of 2023. The total traffic flow of the Qing Ping Expressway was about 11.4 million vehicles, decreased by about 4.2% from about 11.9 million vehicles for the corresponding period of 2023.

The revenue generated from the sales of liquor and spirits was approximately RMB94.8 million for the Period, decreased by about 60.3% from about RMB239.0 million for the corresponding period of 2023. Economic slowdown, sluggish property market and high youth unemployment damp the discretionary spending in the PRC, especially the Chinese wine market.

### COST OF SALES AND GROSS PROFIT

The Group recorded a gross profit of approximately RMB29.2 million for the Period, decreased by about 66.4% from about RMB86.8 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 22.6%, decreased by about 8.8% for the corresponding period of last year from about 31.4%.

For the Qing Ping Expressway, the segment gross profit was approximately RMB3.1 million and the gross profit ratio was about 9.3% for the Period, decreased from approximately RMB4.8 million and 12.5% for the corresponding period in 2023, respectively. The drop in the segment gross profit and gross profit ratio was mainly due to the decrease in the toll revenue during the Period.

For the trading of liquor and spirits, the segment gross profit was about RMB26.1 million and the gross profit ratio was about 27.5% for the Period, representing a decrease of about 6.8% over the corresponding period of last year.

### OTHER REVENUE AND OTHER NET LOSS

The Group recorded other revenue of approximately RMB2.0 million for the Period, as compared to an amount of approximately RMB1.5 million for the corresponding period of last year. Other revenue of the Group mainly comprised the rental income from the highway billboard advertising business and interest income from bank deposits.

In addition, the other net loss was about RMB0.7 million for the Period, as compared to an amount of approximately RMB1.8 million for the corresponding period of last year. Other net loss mainly reflected the exchange loss recorded during the Period.

# Management Discussion and Analysis

## ADMINISTRATIVE EXPENSES

Administrative expenses for the Period were approximately RMB20.0 million, decreased by about 42.8% from approximately RMB35.0 million for the corresponding period of last year. The decrease was mainly due to the payment of one-off special bonus to the staff responsible for the disposal of the Sui-Yue Expressway during the corresponding period of 2023.

## SELLING AND DISTRIBUTION COSTS

The Group recorded selling and distribution costs of about RMB5.5 million for the Period, decreased by about 39.1% from approximately RMB9.1 million for the corresponding period of last year. The selling and distribution costs mainly comprised 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 RMB1.2 million, increased by about 33.8% from approximately RMB0.9 million for the corresponding period of last year. The increase in finance cost represented the rise in interest expense for the new bank loans of the Group.

## PROFIT FOR THE PERIOD

The profit from continuing operations of the Group for the Period amounted to approximately RMB14.0 million, decreased by about 49.4% from approximately RMB27.6 million for the corresponding period of last year. The decrease was mainly due to the poor performance in the sales of wine and liquor business.

## LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group financed its operating and capital expenditures with its internal resources and bank loans and other borrowings. As at 30 June 2024, the total bank loans and other borrowings drawn by the Group amounted to approximately RMB187.3 million (as at 31 December 2023: Nil) and the total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately RMB276.3 million (as at 31 December 2023: approximately RMB313.7 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 2024, the total banking facilities of the Group with the banks and other financial institutions in the PRC amounted to approximately RMB250.0 million, which were mainly for the working capital of the trading of liquor and spirits business segment. The ratio of total outstanding bank loans and other borrowings to total equity was 0.17 (as at 31 December 2023: Nil).

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.

# Management Discussion and Analysis

## INTANGIBLE ASSETS – SERVICE CONCESSION ARRANGEMENTS

The service concession arrangements confer the right of the Group to operate the Qing Ping Expressway 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. No further impairment was recognised for the Period.

## EMPLOYEES AND EMOLUMENTS

As at 30 June 2024, the Group employed a total of 364 (as at 31 December 2023: 348) 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 RMB16.5 million (six months ended 30 June 2023: approximately RMB30.5 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 2024, 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.

## CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities.

## MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this interim financial report, the Group did not make any material acquisitions or disposals of subsidiaries or associates during the Period.

# Management Discussion and Analysis

## PLEDGE OF ASSETS

As at 30 June 2024, the long-term secured bank loan of RMB50.0 million borrowed by a subsidiary of the Company was guaranteed by the Company and a director of the subsidiary of the Company. In addition, the loan was secured by a pledge of all equity interest in Shenzhen Huayu Expressway Investment Co., Ltd., a 60% non-wholly owned subsidiary of the Company, including any interest or dividend paid for the shares.

As at 30 June 2024, the other borrowings of the Group were pledged by the Group's inventories with carrying amount of approximately RMB92.0 million.

## BUSINESS REVIEW

### QING PING EXPRESSWAY

During the Period, competition from the adjacent passages, increase in the number of toll free national holidays and the slowdown of economic growth in the PRC continued affecting the performance of the Qing Ping Expressway. The total toll revenue of the Qing Ping Expressway was about RMB34.1 million for the Period, decreased by approximately 9.9% from about RMB37.8 million for the corresponding period of last year. The average traffic flow was about 1.9 million vehicles per month, decreased by about 5.0% from about 2.0 million vehicles per month for the corresponding period of last year. Average toll for the Period was about RMB3.0 per vehicle.

### TRADING OF LIQUOR AND SPIRITS

Contraction of the consumer market in the PRC seriously affected the business of the trading of liquor and during the Period. The Group recorded revenue of trading of liquor and spirits of approximately RMB94.8 million, decreased by approximately 60.3% from approximately RMB239.0 million for the corresponding period of last year. During the Period, although active marketing campaigns and promotions were organised to strengthen the marketing network and the efficiency of the distribution channel, inventory was still accumulated in the distribution channel. Segment profit, the adjusted EBITDA, for the Period was about RMB24.8 million, decreased by about 64.5% from about RMB69.9 million for the corresponding period of last year.

### GUIZHOU RENHUAI HUAYU WINE CO., LTD. (“GUIZHOU RENHUAI”)

The Group acquired additional 21% equity interest in Guizhou Renhuai in 2023 and upon completion of the acquisition, Guizhou Renhuai became an indirect 51%-owned subsidiary of the Company. Guizhou Renhuai is mainly engaged winemaking and other related business. It owns three pieces of land parcels collectively covering not less than 150,000 square meters and situating in Renhuai city of the Guizhou Province in the PRC. It is intended that the land parcels will be developed into a winery and a comprehensive operating center comprising wine storage and packaging, office and carpark. The construction of the above-mentioned winery and operating center commenced in 2023 and is expected to be completed in the first half of 2025.

# Management Discussion and Analysis

## HUAJIA WINERY (SHENZHEN) CO., LTD. (“HUAJIA”)

The Group acquired 28% equity interest in Huajia in 2023 and upon the completion of the acquisition, Huajia became an associated company of the Group. Huajia is principally engaged in the investment in Guizhou Zunpeng Winery Co., Ltd. (“Guizhou Zunpeng”), which is owned as to approximately 44.94% by Huajia. Guizhou Zunpeng is principally engaged in the production and sales of base wine (基酒), which is a common raw material for production of Chinese liquor, and has commenced the initial stage of production and sales of base wine since 2020. The major customers of Guizhou Zunpeng include a leading Chinese liquor and spirits producer in the PRC. The production facilities of Guizhou Zunpeng is located in Bozhou District of Guizhou Province in the PRC with a gross floor area of about 130,000 square meters. The revenue and the profit after taxation of Guizhou Zunpeng were about RMB298.6 million and RMB69.2 million respectively for the Period.

## DISPOSAL OF 60% EQUITY INTERESTS IN HUNAN DAOYUE EXPRESSWAY INDUSTRY CO., LTD. (“DAOYUE”)

On 1 December 2022, the Group entered into a sale and purchase agreement with NWS (Guangdong) Investment Company Limited, a minority shareholder who owned 40% equity interest in Daoyue. Pursuant to the sale and purchase agreement, the Group agreed to sell 60% equity interests in Daoyue at a consideration of RMB555.7 million, which would be settled in three instalments. The disposal was completed in April 2023. On 8 July 2024, the second instalment was received. Considering the progress of fulfilment of the conditions to the settlement of the consideration, the Directors assessed that the third instalment of the consideration will be settled within two years.

## SPECIAL INTERIM DIVIDEND

Upon the receipt of the second instalment about the disposal of 60% equity interest in Daoyue, the Group declared a special interim dividend of HK\$0.121 (equivalent to RMB0.106) per share to the shareholders of the Company on 28 June 2024 after considering the business, financial and cashflow position of the Group. The special interim dividend was paid on 1 August 2024.



# Management Discussion and Analysis

## PROSPECTS

Economic slowdown and contraction of the consumer market seriously affected the Group's business for the Period. However, growth momentum is expected to accelerate during the second half of this year, driven by the falling interest rates and a recovery in foreign demand.

For the Qing Ping Expressway, with the recovery and growth in the economic activities in Shenzhen, the traffic flow and the toll revenue are expected to grow steadily and the toll revenue is expected to become one of the major sources of steady cash inflow of the Group.

The business of trading liquor and spirits is expected to improve in the near future after the accumulated inventory in the distribution channel was digested. The Group is confident about the performance of this business segment. With the established marketing network and efficient distribution channel, the Group will continue to make effort in the brand building for Huamaojiu. More sales and marketing activities will be arranged in the future, such as wine tasting events and promotion conferences.

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 INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, 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") as set out in Appendix 10 to the Rules of Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Nature of Interest	Long Position in Ordinary Shares Held	Number of Share Options	Total	Percentage
Mr. Chan Yeung Nam ( <i>Note</i> )	Interest of controlled corporation	300,000,000	–	300,000,000	72.71%

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

On 29 May 2023, Velocity International Limited had pledged 300,000,000 Shares to Integrated Capital (Asia) Limited (which is wholly owned by Mr. Yam Tak Cheung) as security for another term loan facility provided to Velocity International Limited.

Apart from the foregoing, as at 30 June 2024, none of the Directors or chief executive of the Company or any of their spouses or children under 18 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, subsidiaries or other associated corporations (within the meaning of Part XV of the SFO) 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, 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).

# 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 (the “Share Option Scheme”) 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.

The maximum number of Shares which may be issued upon exercise of all share 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.

An 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 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.

During the Period, no options were granted by the Company under the Share Option Scheme.

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 2023 annual report and as at the date of this interim financial report, respectively.

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 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 2024, 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	72.71%
Integrated Capital (Asia) Limited (Note)	Person having security interest in shares	300,000,000	72.71%
Yam Tak Cheung (Note)	Interest of Controlled Corporation	300,000,000	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 29 May 2023, Velocity International Limited had pledged 300,000,000 Shares to Integrated Capital (Asia) Limited (which is wholly-owned by Yam Tak Cheung) 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 has adopted the code provisions contained in the Corporate Governance Code (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 its primary duties include the review and supervision 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. Lam Hon Kuen 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 requirements of the Listing Rules.

The Audit Committee has met and discussed with the external auditors of the Company, Crowe (HK) CPA Limited, 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 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 Crowe (HK) CPA Limited, Certified Public Accountants, the external auditors 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. 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 2024 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 2024 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, 28 August 2024

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>128,824</b>	276,808
Cost of sales		(99,654)	(190,019)
<b>Gross profit</b>		<b>29,170</b>	86,789
Other revenue	4	2,044	1,536
Other net loss	4	(675)	(1,804)
Administrative expenses		(20,011)	(34,997)
Selling and distribution costs		(5,531)	(9,082)
<b>Profit from operations</b>		<b>4,997</b>	42,442
Finance costs	5(a)	(1,167)	(872)
Share of profit of associates		11,473	3,198
<b>Profit before taxation</b>	5	<b>15,303</b>	44,768
Income tax	6	(1,309)	(17,125)
<b>Profit from continuing operations</b>		<b>13,994</b>	27,643
<b>Discontinued Sui-Yue Expressway operation</b>			
Profit from discontinued Sui-Yue Expressway operation, net of tax	7	–	342,400
<b>Profit for the period</b>		<b>13,994</b>	370,043

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Profit attributable to:</b>			
Equity shareholders of the Company			
– continuing operations		11,918	14,846
– discontinued Sui-Yue Expressway operation		–	325,092
		<b>11,918</b>	<b>339,938</b>
Non-controlling interests			
– continuing operations		2,076	12,797
– discontinued Sui-Yue Expressway operation		–	17,308
		<b>2,076</b>	<b>30,105</b>
Profit for the period		<b>13,994</b>	<b>370,043</b>
<b>Basic and diluted earnings per share (RMB cents)</b>	8		
– continuing operations		2.89	3.60
– discontinued Sui-Yue Expressway operation		–	78.79
		<b>2.89</b>	<b>82.39</b>

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Profit for the period</b>	<b>13,994</b>	370,043
<b>Other comprehensive income for the period:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of:		
– financial statements of entities comprising the Group not using Renminbi as functional currency	<b>721</b>	1,659
<b>Total comprehensive income for the period</b>	<b>14,715</b>	371,702
<b>Attributable to:</b>		
Equity shareholders of the Company		
– continuing operations	<b>12,639</b>	16,505
– discontinued Sui-Yue Expressway operation	–	325,092
	<b>12,639</b>	341,597
Non-controlling interests		
– continuing operations	<b>2,076</b>	12,797
– discontinued Sui-Yue Expressway operation	–	17,308
	<b>2,076</b>	30,105
<b>Total comprehensive income for the period</b>	<b>14,715</b>	371,702

The notes on pages 21 to 42 form part of this interim financial report.



# Consolidated Statement of Financial Position

At 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	284,237	211,164
Intangible assets – service concession arrangements	10	64,742	80,197
Interests in associates		189,899	180,563
Deferred tax assets		161	162
Contingent consideration receivables	12	20,383	20,011
Prepayments	11(b)	36,140	37,120
		<b>595,562</b>	<b>529,217</b>
<b>Current assets</b>			
Inventories		302,616	256,628
Financial assets at fair value through profit or loss		–	14,242
Value added tax receivables		21,490	11,281
Trade and other receivables	11(a)	6,565	7,066
Prepayments	11(b)	116,118	23,273
Amounts due from related parties	18(b)	34,974	29,774
Contingent consideration receivables	12	64,029	64,029
Cash and cash equivalents	13	276,297	313,720
		<b>822,089</b>	<b>720,013</b>
<b>Current liabilities</b>			
Accruals and other payables	14	38,307	29,842
Amounts due to related parties	18(b)	6,223	2,585
Contract liabilities		20,982	77,554
Bank loans and other borrowings	15	149,340	–
Lease liabilities		660	899
Current taxation		13,314	13,768
Dividends payable	16(b)	45,574	–
		<b>274,400</b>	<b>124,648</b>
<b>Net current assets</b>		<b>547,689</b>	<b>595,365</b>
<b>Total assets less current liabilities</b>		<b>1,143,251</b>	<b>1,124,582</b>

# Consolidated Statement of Financial Position

At 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities		229	560
Bank loans and other borrowings	15	38,000	–
		<b>38,229</b>	<b>560</b>
<b>NET ASSETS</b>			
		<b>1,105,022</b>	<b>1,124,022</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	16(a)	3,634	3,634
Reserves		767,257	800,192
<b>Total equity attributable to equity shareholders of the Company</b>		<b>770,891</b>	<b>803,826</b>
<b>Non-controlling interests</b>		<b>334,131</b>	<b>320,196</b>
<b>TOTAL EQUITY</b>		<b>1,105,022</b>	<b>1,124,022</b>

Approved and authorised for issue by the Board of Directors on 28 August 2024.

**Chan Yeung Nam**  
*Chairman*

**Fu Jie Pin**  
*Director*

The notes on pages 21 to 42 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total
	Share capital	Share premium	Statutory reserve	Other reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total		
	Note 16(a) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2023</b>	3,634	51,487	27,672	680,422	5,085	(20,468)	(229,664)	518,168	284,862	803,030
<b>Changes in equity for the six months ended 30 June 2023:</b>										
Profit for the period	-	-	-	-	-	-	339,938	339,938	30,105	370,043
Other comprehensive income	-	-	-	-	-	1,659	-	1,659	-	1,659
<b>Total comprehensive income</b>	-	-	-	-	-	1,659	339,938	341,597	30,105	371,702
Appropriation to statutory reserve	-	-	20,112	-	-	-	(20,112)	-	-	-
Special interim dividend declared (Note 16(b))	-	-	-	-	-	-	(43,767)	(43,767)	-	(43,767)
Dividends declared to non-controlling interest	-	-	-	-	-	-	-	-	(47,700)	(47,700)
Disposal of interests in a subsidiary (Note 7(c))	-	-	-	-	-	-	-	-	(141,266)	(141,266)
<b>Balance at 30 June 2023 and 1 July 2023</b>	3,634	51,487	47,784	680,422	5,085	(18,809)	46,395	815,998	126,001	941,999
<b>Changes in equity for the six months ended 31 December 2023:</b>										
Loss for the period	-	-	-	-	-	-	(10,506)	(10,506)	(199)	(10,705)
Other comprehensive income	-	-	-	-	-	(1,666)	-	(1,666)	-	(1,666)
<b>Total comprehensive income</b>	-	-	-	-	-	(1,666)	(10,506)	(12,172)	(199)	(12,371)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	-	101,858	101,858
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	92,536	92,536
<b>Balance at 31 December 2023</b>	3,634	51,487	47,784	680,422	5,085	(20,475)	35,889	803,826	320,196	1,124,022

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Statutory reserve	Other reserve	Share-based compensation reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total
	Note 16(a) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2024</b>	3,634	51,487	47,784	680,422	5,085	(20,475)	35,889	803,826	320,196	1,124,022
<b>Changes in equity for the six months ended 30 June 2024:</b>										
Profit for the period	-	-	-	-	-	-	11,918	11,918	2,076	13,994
Other comprehensive income	-	-	-	-	-	721	-	721	-	721
<b>Total comprehensive income</b>	-	-	-	-	-	721	11,918	12,639	2,076	14,715
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	25,866	25,866
Special interim dividends declared (Note 16(b))	-	-	-	-	-	-	(45,574)	(45,574)	-	(45,574)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	(14,007)	(14,007)
<b>Balance at 30 June 2024</b>	3,634	51,487	47,784	680,422	5,085	(19,754)	2,233	770,891	334,131	1,105,022

The notes on pages 21 to 42 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations		(88,283)	77,413
PRC corporate income tax paid		(2,020)	(28,183)
<b>Net cash (used in)/generated from operating activities</b>		<b>(90,303)</b>	49,230
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(74,711)	(413)
Payment for intangible assets		–	(2,434)
Payment for investment in associates		(300)	(34,800)
Interest received		1,503	1,743
Payment to a related party		(4,000)	(5,200)
Payment for other investments		–	(7,800)
Proceeds from redemption of other investments		13,800	–
Net cash outflow upon deregistration of a subsidiary		(5,405)	–
Proceeds from disposal of subsidiaries, net of cash disposed of	7	–	356,888
Dividends received from associates		2,438	5,034
Proceeds from disposal of property, plant and equipment		–	38
<b>Net cash (used in)/generated from investing activities</b>		<b>(66,675)</b>	313,056
<b>Financing activities</b>			
Capital element of lease rentals paid		(546)	(772)
Interest element of lease rentals paid		(35)	(32)
Proceeds of bank loans		95,000	50,000
Repayment of bank loans		–	(50,000)
Capital injection from non-controlling interests		25,866	–
Borrowing costs paid		(928)	(14,674)
Repayment to controlling shareholder of the Company		–	(91,091)
Dividends to non-controlling shareholders		–	(47,700)
Dividends paid to equity shareholders of the Company		–	(43,767)
<b>Net cash generated from/(used in) financing activities</b>		<b>119,357</b>	(198,036)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(37,621)</b>	164,250
Cash and cash equivalents as stated in the statement of financial position at 1 January	13	313,720	205,659
Cash and cash equivalents of the disposal group held for sale at 1 January		–	54,415
<b>Effect of foreign exchange rate changes</b>		<b>198</b>	188
<b>Cash and cash equivalents at 30 June</b>	13	<b>276,297</b>	424,512

The notes on pages 21 to 42 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi 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 28 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 Crowe (HK) CPA Limited (“Crowe”) 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. Crowe’s independent review report to the Board of Directors is included on pages 43 to 44.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current (the “2020 Amendments”)*
- Amendments to HKAS 1, *Non-current Liabilities with Covenants (the “2022 Amendments”)*
- Amendments to HKAS 7 and HKFRS 7, *Supplier Finance Arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 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:

Continuing reportable segments:

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

Discontinued reportable segment:

- Sui-Yue Expressway, construction, operation and management of the Sui-Yue Expressway, which ceased to be the subsidiary of the Company upon the completion of the disposal in April 2023.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (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	
	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
<b>Continuing operations:</b>		
– Toll income	34,052	37,793
– Sales of liquor and spirits	94,772	239,015
	<b>128,824</b>	<b>276,808</b>
<b>Discontinued Sui-Yue Expressway operation:</b>		
– Toll income	–	69,669
	<b>128,824</b>	<b>346,477</b>

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

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

The Group's customer base is concentrated and includes 1 (six months ended 30 June 2023: 1) customer with whom transaction has accounted for approximately 39% (six months ended 30 June 2023: 48%) of the Group's revenues for the six months ended 30 June 2024.



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

### (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". 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 Renminbi 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.

	Six months ended 30 June 2024		
	Continuing operations		
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Total RMB'000
Reportable segment revenue	34,052	94,772	128,824
<b>Reportable segment profit (adjusted EBITDA)</b>	<b>15,086</b>	<b>24,825</b>	<b>39,911</b>
Interest income from bank deposits	137	825	962
Interest expense	–	(1,135)	(1,135)
Depreciation and amortisation	(15,887)	(869)	(16,756)
<b>As at 30 June 2024</b>			
Reportable segment assets	176,415	1,170,246	1,346,661
Reportable segment liabilities	7,313	286,125	293,438

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2023				
	Continuing operations			Discontinued operation	Total
	Qing Ping Expressway RMB'000	Liquor and spirits RMB'000	Subtotal RMB'000	Sui-Yue Expressway RMB'000	
Reportable segment revenue	37,793	239,015	276,808	69,669	346,477
<b>Reportable segment profit (adjusted EBITDA)</b>	19,114	69,932	89,046	386,169	475,215
Interest income from bank deposits	76	540	616	723	1,339
Interest expense	–	(860)	(860)	(13,835)	(14,695)
Depreciation and amortisation	(18,022)	(875)	(18,897)	–	(18,897)
<b>As at 30 June 2023</b>					
Reportable segment assets	144,128	723,448	867,576	–	867,576
Reportable segment liabilities	7,679	107,185	114,864	–	114,864

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Reportable segment profit (adjusted EBITDA)	39,911	475,215
Less: segment profit from discontinued Sui-Yue Expressway operation	–	(386,169)
Reportable segment profit from continuing operations	39,911	89,046
Other revenue	1,752	502
Other net loss	(132)	(2,277)
Depreciation and amortisation	(16,756)	(18,897)
Finance costs	(1,135)	(860)
Unallocated head office and corporate expenses	(8,337)	(22,746)
Consolidated profit before taxation	15,303	44,768

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Other revenue</b>		
<i>Continuing operations:</i>		
Interest income from bank deposits	1,515	1,118
Others	529	418
	<b>2,044</b>	<b>1,536</b>
<i>Discontinued Sui-Yue Expressway operation:</i>		
Interest income from bank deposits	–	625
Others	–	98
	<b>–</b>	<b>723</b>
	<b>2,044</b>	<b>2,259</b>
<b>Other net (loss)/gain</b>		
<i>Continuing operations:</i>		
Net foreign exchange loss	(1,177)	(2,430)
Gain on the changes in fair value of contingent consideration receivables	372	152
Others	130	474
	<b>(675)</b>	<b>(1,804)</b>
<i>Discontinued Sui-Yue Expressway operation:</i>		
Net foreign exchange gain	–	66
Reversal of compensation for litigation	–	5,834
Others	–	257
	<b>–</b>	<b>6,157</b>
	<b>(675)</b>	<b>4,353</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 5 PROFIT BEFORE TAXATION

PROFIT BEFORE TAXATION IS ARRIVED AT AFTER CHARGING:

		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
<b>(a) Finance costs:</b>			
	<i>Continuing operations:</i>		
	Interest on bank loans and other borrowings	1,132	840
	Interest on lease liabilities	35	32
		<b>1,167</b>	<b>872</b>
	<i>Discontinued Sui-Yue Expressway operation:</i>		
	Interest on bank loans and other borrowings	–	13,835
<b>(b) Staff costs:</b>			
	<i>Continuing operations:</i>		
	Salaries, wages and other benefits	15,800	29,334
	Contributions to defined contribution retirement plans	662	1,180
		<b>16,462</b>	<b>30,514</b>
	<i>Discontinued Sui-Yue Expressway operation:</i>		
	Salaries, wages and other benefits	–	3,723
	Contributions to defined contribution retirement plans	–	628
		–	4,351
<b>(c) Other items:</b>			
	<i>Continuing operations:</i>		
	Depreciation charge		
	– owned property, plant and equipment	1,061	784
	– right-of-use assets	568	754
	Amortisation	15,455	17,720

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 6 INCOME TAX

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Continuing operations:</b>		
Current tax – PRC Corporate Income Tax	1,148	15,747
Deferred tax – Origination and reversal of temporary differences	161	1,378
	<b>1,309</b>	<b>17,125</b>
<b>Discontinued Sui-Yue Expressway operation:</b>		
Current tax – PRC Corporate Income Tax	–	6,028
Deferred tax – Origination and reversal of temporary differences	–	3,452
Income tax on gain on sale of discontinued Sui-Yue Expressway operation	–	21,177
	<b>–</b>	<b>30,657</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 2024 and 2023.
- (iii) Pursuant to the income tax rules and regulations of Mainland China, the subsidiaries in Mainland China are liable to PRC Corporate Income Tax at a rate of 25% (six months ended 30 June 2023: 25%) on their assessable profits. Reversal and origination of temporary differences are in connection with the deductible tax losses and other deductible temporary differences.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION

On 1 December 2022, the Group and NWS (Guangdong) Investment Company Limited (“NWS”) entered into a sale and purchase agreement (“Disposal Agreement”) to dispose 60% equity interest of Hunan Daoyue Expressway Industry Co., Ltd. (湖南道岳高速公路實業有限公司 (“Daoyue”)) at a consideration of RMB555,700,000 (“Consideration”), subject to adjustment (“Estimated Adjustments”) in the Disposal Agreement. The disposal of Daoyue (“Disposal”) was completed on 25 April 2023 (“Completion Date”).

### (A) RESULTS OF DISCONTINUED SUI-YUE EXPRESSWAY OPERATION

	Note	1 January 2023 to 25 April 2023 RMB'000
Revenue	3	69,669
Cost of sales		(6,228)
Gross profit		63,441
Other revenue	4	723
Other net income	4	6,157
Administrative expenses		(3,736)
Profit from operation		66,585
Finance costs	5(a)	(13,835)
Profit before taxation	5	52,750
Income tax	6	(9,480)
Profit for the period		43,270
Gain on disposal of discontinued Sui-Yue Expressway operation	7(d)	320,307
Income tax on gain on sale of discontinued Sui-Yue Expressway operation	6	(21,177)
Profit from discontinued Sui-Yue Expressway operation for the period		342,400



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION (CONTINUED)

### (B) CASH FLOWS OF DISCONTINUED SUI-YUE EXPRESSWAY OPERATION

	1 January 2023 to 25 April 2023 RMB'000
Net cash generated from operating activities	46,451
Net cash generated from investing activities	642
Net cash used in financing activities	(13,835)
Net cash flow for the period	33,258

### (C) EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP

	25 April 2023 RMB'000
Property, plant and equipment	15,079
Intangible asset – service concession arrangement	1,062,711
Deferred tax assets	108,723
Trade and other receivables	10,236
Cash and cash equivalents	87,672
Accruals and other payables	(50,240)
Amounts due to related parties	(1,551)
Bank loans and other borrowing	(877,924)
Current taxation	(1,541)
Non-controlling interests	(141,266)
Net assets attributable to the Group	211,899
Cash received during the period*	444,560
Net cash and cash equivalents disposed of	(87,672)
Net cash inflows during the reporting period	356,888

\* Pursuant to Disposal Agreement, the Consideration of RMB555,700,000 would be settled in three instalments. The first instalment of RMB444,560,000 was received during 2023 and the second and third instalments of RMB72,241,000 and RMB38,899,000 will be settled respectively upon fulfilment (or waiver) of the conditions precedent and are subject to estimated adjustments, details of which are set out in Note 7(d).

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7 DISCONTINUED SUI-YUE EXPRESSWAY OPERATION (CONTINUED)

(D) GAIN ON DISPOSAL OF DISCONTINUED SUI-YUE EXPRESSWAY OPERATION IS CALCULATED AS FOLLOWS:

	RMB'000
Consideration for the Disposal	555,700
Less: Estimated Adjustments*	(23,494)
Fair value consideration for the Disposal	532,206
Net assets attributable to the Group disposed of	(211,899)
Gain on disposal	320,307

\* Pursuant to Disposal Agreement, the Consideration for the Disposal are subject to an upwards or downwards adjustments (as the case may be) for the certain incidents ("Estimated Adjustments"). The details of Estimated Adjustments are set as below, the occurrence of which resulted in the adjustments to be made to the Consideration:

	RMB'000
Estimated fees for obtaining of the title registration certificate(s) of the land and properties of the Daoyue (i)	(33,361)
Net profit attributable to the Group between reference date and the Completion date (ii)	16,644
Others	(6,777)
Estimated Adjustments	(23,494)

- (i) The amount represents an accrual of RMB33,361,000 recognised in Daoyue for land-transferring fees, valuation fees and other fees for obtaining of the title registration certificates of a piece of occupied land, which was estimated by the relevant government authority.
- (ii) The amount represents the net profit of Daoyue attributable to the Group between the reference date of the Disposal and the Completion Date.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 8 EARNINGS PER SHARE

### (A) BASIC EARNINGS PER SHARE

The calculation of basic earnings per shares is based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares in issue during the period.

#### (i) Profit attributable to ordinary shareholders (basic)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
From continuing operations	11,918	14,846
From discontinued Sui-Yue Expressway operation	–	325,092
Profit attributable to ordinary shareholders	11,918	339,938

#### (ii) Weighted-average number of ordinary shares (basic)

	2024	2023
	'000	'000
Weighted average number of ordinary shares in issue during the period	412,608	412,608

### (B) DILUTED EARNINGS PER SHARE

There are no dilutive potential ordinary shares for the six months ended 30 June 2024. The effect of share options of the Group were anti-dilutive for the six months ended 30 June 2023.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of equipment with a total cost of RMB1,004,000 (six months ended 30 June 2023: RMB269,000) and incurred costs for construction in progress of RMB75,255,000 (six months ended 30 June 2023: Nil). No item was disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## 10 INTANGIBLE ASSETS – SERVICE CONCESSION ARRANGEMENTS

The service concession arrangement represents the Group's rights to operate the Qing Ping Expressway to receive toll fees therefrom.

As at 30 June 2024, there was no indication of impairment of the Group's intangible assets and no provision for impairment of intangible assets was required (31 December 2023: Nil).

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 11 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

### (A) TRADE AND OTHER RECEIVABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade receivables	2,168	2,303
Other receivables	4,397	4,763
	<b>6,565</b>	7,066

All trade receivables, based on the invoice date, are aged within three months.

### (B) PREPAYMENTS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Prepayments for:		
– suppliers (note i)	116,118	23,273
– subcontractors (note ii)	36,140	37,120
	<b>152,258</b>	60,393
Less: amounts shown under non-current assets	<b>(36,140)</b>	(37,120)
Amounts shown under current assets	<b>116,118</b>	23,273

- (i) The balance mainly represents prepayment to suppliers of liquor and spirits business.
- (ii) The balance represents the prepayments to subcontractors for the construction project of a winery production plant in Guizhou, PRC.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 12 CONTINGENT CONSIDERATION RECEIVABLES

	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
Contingent consideration receivables		
– Current	<b>64,029</b>	64,029
– Non-current	<b>20,383</b>	20,011
	<b>84,412</b>	84,040

Pursuant to Disposal Agreement, the Consideration in respect of disposal of Daoyue would be settled in three instalments. The first instalment of RMB444,560,000 was received during 2023. The second and third instalments of the Consideration will be received upon fulfilment (or waiver) of the conditions precedent and adjusted in accordance with Estimated Adjustments as set out in Note 7 (“Consideration Receivables”). Accordingly, the Group recognised the Consideration Receivables as contingent consideration receivables. The contingent consideration receivables are measured at fair value, which is calculated as Consideration less Estimated Adjustments and discounted at an effective interest rate of 3.75% per annum.

As at 30 June 2024, considering the progress of fulfilment of the conditions to the settlement of the Consideration Receivables, the directors assessed that the second instalment and third instalment of Consideration Receivables will be recovered in one year and two years respectively.

## 13 CASH AND CASH EQUIVALENTS

	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
Cash at bank and on hand	<b>276,297</b>	313,720

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 14 ACCRUALS AND OTHER PAYABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Construction payables	11,894	4,730
Payroll and other staff benefits payable	2,444	8,198
VAT and surcharges	595	1,022
Bank interest payable	204	–
Other payables	23,170	15,892
	<b>38,307</b>	<b>29,842</b>

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

## 15 BANK LOANS AND OTHER BORROWINGS

	30 June 2024 RMB'000	31 December 2023 RMB'000
<i>Current liabilities</i>		
Current portion of long-term secured bank loans (Note i)	12,000	–
Short-term unsecured bank loans (Note ii)	45,000	–
Other borrowings (Note iii)	92,340	–
	<b>149,340</b>	<b>–</b>
<i>Non-current liabilities</i>		
Long-term secured bank loans (Note i)	38,000	–
	<b>187,340</b>	<b>–</b>

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

At 30 June 2024, the bank loans was repayable as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 1 year or on demand	149,340	–
After 1 year but within 2 years	38,000	–
	<b>187,340</b>	–

Notes:

- (i) As at 30 June 2024, the secured bank loans were guaranteed by the Company and a director of a subsidiary, interest-bearing at 4.8% per annum and repayable within 2 years.

In addition to the above, the loans were secured by the pledge of all equity interests in Shenzhen Huayu Expressway Investment Co., Ltd..

- (ii) As at 30 June 2024, the short-term bank loans were unsecured, interest-bearing at 3.7% per annum and repayable within one year. The loans were guaranteed by the Company and a director of a subsidiary.

- (iii) As at 30 June 2024, the other borrowings were pledged by the Group's inventories with carrying amount of approximately RMB92,000,000, interest-bearing at 3.8% per annum and repayable within one year.



# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 16 CAPITAL AND DIVIDENDS

### (A) SHARE CAPITAL

	Number of shares	Amount \$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
As at 30 June 2024 and 31 December 2023	10,000,000,000	100,000

	Number of shares	Amount \$'000	Amount RMB'000 (equivalent)
Ordinary shares of HK\$0.01 each			
<i>Ordinary shares, issued and fully paid:</i>			
As at 30 June 2024 and 31 December 2023	412,608,000	4,126	3,634

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 regards to the Company's residual assets.

### (B) DIVIDENDS

Dividends payable/paid to equity shareholders approved during the interim period:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Special Interim dividend declared of HKD0.121 (equivalent to RMB0.11) per share (2023: HKD0.121 (equivalent to RMB0.106) per share)	45,574	43,767

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 17 COMMITMENTS

Capital commitments representing the construction of a winery and operating centre outstanding at 30 June 2023 not provided for in the interim financial report, were as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Contracted but no provided for	301,710	331,401

## 18 MATERIAL RELATED PARTY TRANSACTIONS

(A) PARTICULARS OF SIGNIFICANT TRANSACTIONS BETWEEN THE GROUP AND RELATED PARTIES DURING THE PERIOD ARE AS FOLLOWS:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sales to associates	26,958	61,331
Expense paid on behalf by – Companies controlled by ultimate controlling shareholder	880	1,058
Rendering of services to a company controlled by non-controlling interest	–	393
Receiving services from companies controlled by the ultimate controlling shareholder	518	528

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (B) BALANCES WITH RELATED PARTIES

As at 30 June 2024 and 31 December 2023, the Group had the following balances with related parties:

	30 June 2024 RMB'000	31 December 2023 RMB'000
<b>Amounts due from related parties</b>		
<b>Non-trade nature</b>		
– A company controlled by ultimate controlling shareholder	2,570	2,370
– Non-controlling interests	30,844	26,844
<b>Trade nature</b>		
– An associate	1,560	560
	<b>34,974</b>	<b>29,774</b>
<b>Amounts due to related parties</b>		
<b>Non-trade nature</b>		
– Companies controlled by ultimate controlling shareholder	3,680	80
– A company controlled by a non-controlling interest	143	105
<b>Trade nature</b>		
– Associates	2,400	2,400
	<b>6,223</b>	<b>2,585</b>
<b>Contract liabilities</b>		
– Associates	16,357	35,982

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

# Review Report of Interim Financial Report



國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

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

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 42 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 2024 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 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

**Crowe (HK) CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 28 August 2024

**Kwok Chuek Yuen**  
Practising Certificate Number: P02412