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HIGHWAY CAPITAL PLC

INTERIM REPORT 2016

Chairman's Statement

Dear Shareholders

In line with the new strategy of Highway Capital, of which the general outline was presented through the Chairman's statement in the latest Annual Report, the first half of 2016 was marked with intense efforts aimed at strengthening of the business position of the Company.

The Company's directors have been seeking to identify profitable potential transactions on the one hand, and to seek reliable sources of financing on the other. A number of possible deals have been considered in respect of both of these aspects and we continue to investigate further opportunities.

The decision was taken in May 2016 to provide finance of approximately £89,000 by way of a loan to Mylux, a Cypriot SPV. Mylux utilised the proceeds of the loan to acquire a 48% interest in a new payment services company in Poland known as Multipay. A further loan of £120,000 was advanced to Mylux in June 2016 in order to acquire a minority investment in a medical technology company.

Although neither loan constituted an acquisition for the purposes of the Listing Rules under which the Company operates, the UK Listing Authority informed the directors in September 2016 that they considered that making the loans fundamentally changed the strategic direction of the business away from its stated aim to find an acquisition that would enhance shareholder value. As a result, the Company's shares were suspended from trading on 22 September pending the completion of the "reverse" procedure required to resume trading.

Rather than invest the significant time and expense in changing the scope of the Company's business activities to encompass the short term loans extended to Mylux, the directors are working towards securing an acquisition which will constitute a reverse and for which they will seek readmission of the Company to the Official List and to trading on the London Stock Exchange. Whilst there can be no certainty whether such a transaction can be achieved, nor when, the board believe that the

