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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)**

## **DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 25% EQUITY INTERESTS IN GUIZHOU RENHUI HUAYU WINE CO., LTD.\***

### **THE ACQUISITION**

On 10 May 2022 (after trading hours), the Purchaser, an indirect non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 25% equity interests in the Target Company at the consideration of RMB20,000 (equivalent to HK\$23,400) in cash. Upon completion of the Acquisition, the Target Company will be held as to 25% by the Purchaser, 5% by the Vendor and 70% by other shareholders, and the Target Company will be accounted as an associate of the Company.

In connection with the Acquisition and upon completion, the Purchaser shall fund the Target Company by contributing RMB125,000,000 (equivalent to HK\$146,250,000) to the registered capital of the Target Company according to the percentage of its equity interests in the Target Company.

### **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction exceeds 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **THE ACQUISITION**

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## **THE EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set out below:

### **Date**

10 May 2022

### **Parties**

Vendor: Yang Pingshang (楊平上)

Purchaser: Huayu Healthy Wine (Shenzhen) Co., Ltd.\* (華昱健康酒業(深圳)有限公司), an indirect non-wholly owned subsidiary of the Company

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor is an Independent Third Party.

### **Assets to be acquired by the Purchaser**

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 25% equity interests in the Target Company.

### **Consideration and payment terms**

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition is RMB20,000 (equivalent to HK\$23,400), which shall be settled in cash upon signing of the Equity Transfer Agreement.

### **Basis of the consideration**

As the Target Company is newly established and none of its registered capital has been paid up by the existing shareholders, the consideration for the Acquisition was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms after taking into account the expenses in relation to the establishment and registration of the Target Company. Accordingly, the Directors (including the independent non-executive Directors) consider that the consideration for the Acquisition and the terms and conditions of the Equity Transfer Agreement are fair and reasonable, and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

## Completion

Completion of the Acquisition will take place upon completion of the relevant industry and commercial registration with the local authority in respect of the Acquisition.

Upon completion of the Acquisition, the Target Company will be held as to 26% by Li Peier (李珮兒), 25% by the Purchaser, 18% by Guizhou Renhuai Changdesheng Wine Co., Ltd\* (貴州仁懷昌得盛酒業有限公司) (“**Changdesheng**”), 8% by Ceng Xiaohong (曾曉紅), 7% by Ceng Gang (曾剛), 6% by Wang Yuxin (王禹心), 5% by Wang Chunyu (王淳羽) and 5% by the Vendor. The Target Company will be accounted as an associate of the Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, save as (i) the Purchaser and (ii) Changdesheng whose ultimate beneficial owner is Ms. Ran Changping (冉昌萍) (“**Ms. Ran**”), a sister of Mr. Ran Changxian (冉昌賢) (“**Mr. Ran**”), both of whom indirectly hold equity interests in the Purchaser as disclosed below, the above shareholders of the Target Company are Independent Third Parties.

## THE CAPITAL CONTRIBUTION

Pursuant to the Equity Transfer Agreement, following completion of the Acquisition, the Purchaser shall assume the rights and obligations of the Vendor in respect of the equity interests transferred.

As the Target Company is newly established and none of its registered capital has been paid up, in connection with the Acquisition and upon completion, the Purchaser shall fund the Target Company by contributing RMB125,000,000 (equivalent to HK\$146,250,000) to the registered capital of the Target Company according to the percentage of its equity interests in the Target Company. The shareholders shall pay up their respective amount of capital contribution by 1 January 2050. The Group will fund the Capital Contribution with its internal resources.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the amount of the capital contributions to be made by each shareholder was determined after arm’s length negotiations and on normal commercial terms among the parties with reference to the Target Company’s initial funding needs and the equity interests of each party in the Target Company. The Target Company will commence its business in winemaking and engage in other related businesses.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC on 17 February 2022, with registered capital of RMB500,000,000, of which nil has been paid up. As at the date of this announcement, the Target Company has not commenced its business.

Prior to completion of the Acquisition, the Target Company was owned as to 30% by the Vendor, 26% by Li Peier (李珮兒), 18% by Changdesheng, 8% by Ceng Xiaohong (曾曉紅), 7% by Ceng Gang (曾剛), 6% by Wang Yuxin (王禹心) and 5% by Wang Chunyu (王淳羽).

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, save as Changdesheng, the above shareholders of the Target Company are Independent Third Parties.

As the Target Company has remained inactive and has not commenced any business, no audited accounts of the Target Company have been prepared since the date of establishment.

## **INFORMATION ON THE GROUP AND THE PURCHASER**

The Group is principally engaged in (i) the construction, operation and management of the Sui-Yue Expressway (Hunan Section) and the First Phase of Qing Ping Expressway in the PRC; and (ii) the business of liquor and spirits trading.

The Purchaser, an indirect non-wholly owned subsidiary of the Company, is a company established in the PRC with limited liability, which is owned as to (a) 77% by Shenzhen Huayu Wine Development Co., Ltd.\* (深圳華昱酒業發展有限公司), a wholly-owned subsidiary of the Company; (b) 20% by Guizhou Renhuai Xianyechang Trading Co., Ltd.\* (貴州省仁懷市賢業昌商貿有限公司), a company owned as to 95% by Mr. Ran, a director of the Purchaser, and 5% by Ms. Ran, a sister of Mr. Ran; and (c) 3% by Mr. Zhang Quantu (張權圖), an employee of the Purchaser. The Purchaser is principally engaged in the distribution of Kweichow Moutai Chiew products.

## **INFORMATION ON THE VENDOR**

The Vendor is a private investor who is engaged in the wine and spirits business. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor is an Independent Third Party.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The business of liquor and spirits trading of the Group has been under rapid growth in recent years, which is attributable the success in the brand building and the development of sales and distribution network of Huamaojiu, and the grant of the sole distributorship of Xijiushaofang. The Group is full of confidence about the performance of this business segment in the post COVID-19 pandemic period, and has been continuing to explore more opportunities for the development of the business of liquor and spirits. In order to raise its competitiveness, the Group has decided to expand its business of liquor and spirits to the upstream of the industry through investing in winery, winemaking, warehousing and logistics, packaging and operation centre. As such, the Transaction provides a valuable opportunity to the Group in this regard.

The Target Company will commence its business in winemaking. The Group intends to develop its own brand of liquor and spirits through the Target Company in the foreseeable future. Leveraging on the existing sales and distribution network in the business of liquor and spirits trading of the Group, as well as the experiences of other shareholders of the Target Company which are primarily wine and spirit producers and/or distributors with extensive national distribution network, it is expected that the wine produced by the Target Company could be distributed conveniently and cost-effectively.

Based on the above, the Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and the Transaction is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Transaction exceeds 5% but all of the applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“Acquisition”	the acquisition of 25% equity interests in the Target Company by the Purchaser from the Vendor as contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“Capital Contribution”	the contribution of RMB125,000,000 to the registered capital of the Target Company by the Purchaser
“Company”	Huayu Expressway Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1823)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Equity Transfer Agreement”	the equity transfer agreement dated 10 May 2022 entered into between the Vendor and the Purchaser in respect of the Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Special Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) of the Company and who together with its/their ultimate beneficial owner(s) are independent of the Company and of connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purposes of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Huayu Healthy Wine (Shenzhen) Co., Ltd.* (華昱健康酒業(深圳)有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guizhou Renhuai Huayu Wine Co., Ltd.* (貴州仁懷華昱酒業有限公司), a company established in the PRC with limited liability
“Transaction”	collectively, the Acquisition and the Capital Contribution

“Vendor” Yang Pingshang (楊平上)

“%” per cent.

By Order of the Board  
**Huayu Expressway Group Limited**  
**Chan Yeung Nam**  
*Chairman*

Hong Kong, 10 May 2022

\* *In this announcement, translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

*For the purpose of illustration only and unless otherwise stated, conversion of RMB to Hong Kong dollars in this announcement is calculated at the exchange rate of RMB1.00 to HK\$1.17.*

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