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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 21% EQUITY INTERESTS IN GUIZHOU RENHUI HUAYU WINE CO., LTD.*

THE ACQUISITION

On 16 June 2023 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company, the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 21% equity interests in the Target Company at the consideration of RMB1,000 (equivalent to HK\$1,100) in cash.

As at the date of this announcement, the Purchaser is interested in 30% equity interests in the Target Company. Immediately upon Completion, the Target Company will be held as to 51% by the Purchaser. As a result, the Target Company will become an indirect 51%-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

In connection with the Acquisition itself and upon Completion, the Purchaser shall fund the Target Company by contributing RMB105,000,000 (equivalent to HK\$115,500,000) to the registered capital of the Target Company according to the percentage of its equity interests in the Target Company to be acquired under the Acquisition.

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 application 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

On 16 June 2023 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company, the Vendor and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 21% equity interests in the Target Company at the consideration of RMB1,000 (equivalent to HK\$1,100) in cash.

THE EQUITY TRANSFER AGREEMENT

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

Date

16 June 2023 (after trading hours)

Parties

Vendor	:	Li Peier (李珮兒)
Purchaser	:	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
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

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, 21% equity interests in the Target Company.

Consideration and payment terms

Pursuant to the Equity Transfer Agreement, the consideration for the Acquisition is RMB1,000 (equivalent to HK\$1,100), which shall be settled by the Purchaser in cash within 15 business days following the fulfilment of the conditions summarised below or the waiver granted by the Purchaser (the “**Payment Date**”):

- (i) the Equity Transfer Agreement, the amended articles of association of the Target Company and other relevant documents necessary for procuring the Completion having been signed and becoming effective;
- (ii) the approvals of the resolutions by the existing shareholders of the Target Company having been obtained on matters including (a) the Acquisition; (b) the terms and signing of the relevant documents in respect of the Acquisition; and (c) the waivers of the preemptive rights in respect of the Acquisition from other existing shareholders of the Target Company;
- (iii) the relevant industrial and commercial registration in respect of the Acquisition having been completed;
- (iv) as at the Payment Date, there having no breaches of provisions under the Equity Transfer Agreement and other relevant documents in respect of the Acquisition by the Target Company and the Vendor, or such breaches having been promptly corrected in the manners approved by the Purchaser;

- (v) as at the Payment Date, there having no events which may have a material adverse impact on the business operations, financial conditions or assets of the Target Company;
- (vi) as at the Payment Date, there having no applicable laws or judgements, awards, rulings or injunctions of a court, arbitration institution or relevant government department that would restrict, prohibit or cancel the Acquisition, nor are there having any pending or potential litigations, arbitrations, judgements, awards, rulings or injunctions that have had or will have a material adverse impact on the Acquisition; and
- (vii) all representations and undertakings of the Target Company and the Vendor under the Equity Transfer Agreement having been true, accurate and complete.

All parties to the Equity Transfer Agreement shall use their best endeavours to fulfil the conditions above as soon as practicable. As at the date of this announcement, conditions (i) and (ii) above have been fulfilled.

Basis of the consideration

The consideration for the Acquisition was determined after arm's lengths negotiations 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 attributable to the 21% equity interests of the Target Company, being the total cost paid by the Vendor in respect of the 21% equity interests. The Directors consider that the consideration for the Acquisition and the terms of the Equity Transfer Agreement are fair and reasonable, and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Completion

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

Upon Completion, the Target Company will be held as to 51% by the Purchaser. As a result, the Target Company will become an indirect 51%-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

THE CAPITAL CONTRIBUTION

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

As at the date of this announcement, the registered capital and the paid-up capital of the Target Company amount to RMB500,000,000 and RMB210,000,000, respectively. In connection with the Acquisition itself and upon Completion, the Purchaser shall fund the Target Company by contributing RMB105,000,000 (equivalent to HK\$115,500,000) to the registered capital of the Target Company, which was determined after arm's length negotiations and on normal commercial terms among the parties to the Equity Transfer Agreement with reference to the equity interests in the Target Company to be acquired by the Purchaser under the Acquisition.

The Purchaser shall pay up the Capital Contribution by 1 January 2050. The Group will fund the Capital Contribution with its internal resources.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liabilities on 17 February 2022. As at the date of this announcement, the registered capital of the Target Company amounts to RMB500,000,000, of which RMB210,000,000 has been partially paid up by all existing shareholders of the Target Company except for the Vendor.

As at the date of this announcement, the Target Company is owned as to 30% by the Purchaser, 21% by the Vendor, 12% by Guizhou Renhuai Xianyechang Trading Co., Ltd.* (貴州省仁懷市賢業昌商貿有限公司) (“**Xianyechang**”), 10.08% by Hainan Riliansheng Technology Co., Ltd.* (海南日連升科技有限公司), 8% by Ceng Xiaohong (曾曉紅), 7% by Ceng Gang (曾剛), 4% by Wang Yuxin (王禹心), 3.78% by Guizhou Renhuai Yunjufang Trading Co., Ltd. (貴州省仁懷市雲聚坊商貿有限公司), 2.70% by Guizhou Zuijiangyuan Liquor Co., Ltd.* (貴州醉醬源酒業有限公司) and 1.44% by Renhuai Haoyuan Trading Co., Ltd.* (仁懷市好源商貿有限公司).

As at the date of this announcement, Xianyechang is interested in 20% equity interests in Huayu Healthy Wine (Shenzhen) Co., Ltd.* (華昱健康酒業(深圳)有限公司) (“**Huayu Healthy Wine**”), which is a non-wholly owned subsidiary of the Group held as to 77% by the Purchaser. Xianyechang is owned as to 95% by (i) Mr. Ran Changxian (冉昌賢) (“**Mr. Ran**”), who is a director of Huayu Healthy Wine and the Target Company; and (ii) 5% Ms. Ran Changping (冉昌萍) (“**Ms. Ran**”), who is a sister of Mr. Ran.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, save as the Purchaser, Xianyechang, Mr. Ran and Ms. Ran, the above shareholders of the Target Company and their respective ultimate controlling shareholders are Independent Third Parties.

The Target Company will commence its business in winemaking and engage in other related business. As at the date of this announcement, the major assets of the Target Company are 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 centre comprising wine storage and

packaging, office and carpark. It is expected that the construction of the abovementioned winery and operating centre will commence in June 2023. As at the date of this announcement, the Target Company has not yet generated any revenue from its business.

Set out below is the financial information of the Target Company for the year ended 31 December 2022:

	For the year ended 31 December 2022 (Audited) (RMB'000)
Net loss before tax	551
Net loss after tax	551

As at 31 December 2022, the net asset value of the Target Company amounted to approximately RMB154,449,000.

INFORMATION ON THE GROUP AND THE PURCHASER

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

The Purchaser is a company established in the PRC with limited liabilities and is principally engaged in the distribution of liquor and spirits. As at the date of this announcement, the Purchaser is a wholly-subsiary of the Company.

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 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. And allow the group to gain a control.

Further, upon Completion, the Group will be interested in 51% of the equity interests in the Target Company and the Target Company will become an indirect 51%-owned subsidiary of the Company. The Acquisition accordingly allows the Group to obtain a significant influence over the strategic decisions of the Target Company through its controlling voting power thereof upon Completion.

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 21% 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 RMB105,000,000 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)
“Completion”	completion of the Acquisition
“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 16 June 2023 entered into between the Purchaser, the Vendor and the Target Company in respect of the Transaction
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“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”	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
“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”	Li Peier (李珮兒)
“%”	per cent.

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

Hong Kong, 16 June 2023

* *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 HK\$ in this announcement is calculated at the exchange rate of RMB1.00 to HK\$1.10.

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. Chu Kin Wang, Peleus, Mr. Hu Lie Ge and Mr. Lam Hon Kuen.