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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)

PROPOSED CHANGE OF AUDITORS

This announcement is made by Huayu Expressway Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The Board (“**Board**”) of directors (“**Directors**”) of the Company announces that the Company intends to remove KPMG as the auditors of the Company (the “**Proposed Removal**”) subject to the passing of an ordinary resolution at an extraordinary general meeting to be convened and held by the Company (the “**EGM**”). With the recommendation of the audit committee of the Company (the “**Audit Committee**”), subject to the Proposed Removal becoming effective by way of passing an ordinary resolution at the EGM, the Board proposes to appoint Crowe (HK) CPA Limited (“**Crowe**”) as the new auditors of the Company (the “**Proposed Appointment**”) to fill the vacancy arising from the Proposed Removal and hold office until the conclusion of the next annual general meeting of the Company.

PROPOSED REMOVAL OF KPMG

KPMG was re-appointed as the auditors of the Company at the last annual general meeting of the Company held on 1 June 2023 to hold office until the conclusion of the next annual general meeting of the Company.

However, the Company and KPMG have been unable to reach a consensus on the audit fee of KPMG for the financial year ending 31 December 2023. After considering the facts and circumstances, the Audit Committee, having been delegated the power to oversee the effectiveness of the external auditors, was of the view that it would be in the best interest of the Company and its shareholders (the “**Shareholders**”) as a whole to replace KPMG with another sizeable accounting firm, and therefore made a recommendation to the Board to seek the approval of the Shareholders regarding the Proposed Removal and the Proposed Appointment. The Proposed Removal is subject to the passing of an ordinary resolution at the EGM pursuant to the articles of association of the Company (the “**Articles**”).

The Board believes that the Proposed Removal would allow the Company to implement effective cost control measures and reduce operating expenses, thereby enhancing the Group’s ability to adapt to future business development. The Board considers this decision to be in the best interest of the Company and its Shareholders as a whole.

The Company has received a letter from KPMG confirming that there are no matters in connection with the Proposed Removal that need to be brought to the attention of the holders of securities of the Company.

The Board would like to express its sincere gratitude to KPMG for their professional services provided to the Company in the past years.

PROPOSED APPOINTMENT OF CROWE

The Audit Committee has assessed and considered that Crowe is eligible, qualified and suitable to carry out duties of the auditors of the Company. The Board, with the recommendation of the Audit Committee, is of the view that Crowe is a sizeable accounting firm which should be able to devote appropriate and adequate resources to handle the Company's audit work for the financial year ending 31 December 2023, and therefore proposes to appoint Crowe as the new auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company. The Proposed Appointment is subject to the Proposed Removal becoming effective, the passing of an ordinary resolution in respect of the Proposed Appointment at the EGM pursuant to the Articles and the completion of the relevant audit engagement acceptance procedures of Crowe.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Article 152(2) of the Articles, the Shareholders may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove the auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another auditor in his stead for the remainder of his term. Pursuant to Article 155 of the Articles, the Directors may fill any casual vacancy in the office of auditor but while any such vacancy continues the surviving or continuing auditor, if any, may act.

Pursuant to Rule 13.88 of the Listing Rules, (a) the Company must not remove its auditor before the end of the auditor's term of office without first obtaining Shareholders' approval at a general meeting; (b) the Company must send a circular proposing the removal of the auditor to the Shareholders with any written representations from the auditor not less than 10 business days before the general meeting; and (c) the Company must allow the auditor to attend the general meeting and make written and/or verbal representations to the Shareholders at the general meeting.

In compliance with the Articles and the Listing Rules, each of the Proposed Removal and the Proposed Appointment will be proposed at the EGM as an ordinary resolution.

The Board confirms that, save as disclosed in this announcement, there are no other circumstances or matters in connection with the Proposed Removal and the Proposed Appointment that should be brought to the attention of the Shareholders.

Accordingly, the Company will despatch to the Shareholders a circular containing, among other things, further information on the Proposed Removal and the Proposed Appointment together with a notice convening the EGM (the "**Circular**"), and the Company will also despatch a copy of the Circular to KPMG to invite them to attend the EGM and make written and/or verbal representations (if any) to the Shareholders at the EGM.

THE EGM

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Removal and the Proposed Appointment. The Circular is expected to be dispatched to the Shareholders on or before 29 December 2023.

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

Hong Kong, 13 December 2023

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.