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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 AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 10% EQUITY INTERESTS IN HUAYU HEALTHY WINE (SHENZHEN) CO., LTD. *

THE DISPOSAL

On 6 July 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 10% equity interests in the Target Company at a total consideration of approximately RMB13.63 million (equivalent to approximately HK$16.36 million) in cash. Upon completion of the Disposal, the Target Company will be held as to 77% by the Vendor, 20% by the Purchaser and 3% by Mr. Zhang, and will remain as an indirect non-wholly owned subsidiary of the 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 Disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. As the Purchaser is ultimately controlled by Mr. Ran, who is a director and the chairman of the board of the Target Company and a connected person of the Company at the subsidiary level, the Purchaser is an associate of Mr. Ran and thus a connected person of the Company at the subsidiary level according to Rule 14A.07 of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Equity Transfer Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE DISPOSAL

On 6 July 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, 10% equity interests in the Target Company at a total consideration of approximately RMB13.63 million (equivalent to approximately HK$16.36 million) in cash.

THE EQUITY TRANSFER AGREEMENT

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

Date

6 July 2021

Parties

Vendor:	Shenzhen Huayu Wine Development Co., Ltd.*（深圳華昱酒業發展有限公司）
Purchaser:	Guizhou Renhuai Xianyechang Trading Co., Ltd.*（貴州省仁懷市賢業昌商貿有限公司）

Assets to be disposed of by the Vendor

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 10% equity interests in the Target Company.

Consideration and payment terms

Pursuant to the Equity Transfer Agreement, the consideration for the Disposal is approximately RMB13.63 million (equivalent to approximately HK$16.36 million), which shall be settled by the Purchaser in the following manner:

(i) RMB5.0 million shall be payable by the Purchaser to the Vendor within 30 days from the date of the Equity Transfer Agreement; and

(ii) the remaining balance of the consideration in the amount of approximately RMB8.63 million shall be payable by the Purchaser to the Vendor within three years from the date of the Equity Transfer Agreement (the "**Payment Period**"). No interest shall accrue on any part of the consideration outstanding during the Payment Period. However, if the Purchaser defaults in settling the consideration outstanding during the Payment Period, the Purchaser shall be liable to pay to the Vendor an amount equivalent to two times of the consideration outstanding as liquidated damages.

In the event that the Purchaser fails to observe its payment obligation according to the above payment schedule, liquidated damages equivalent to 0.3% of the overdue amount shall be accrued on daily basis, and the Purchaser shall also compensate for any economic loss suffered by the Vendor.

Basis of the consideration

The consideration for the Disposal was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms after taking into account (i) the unaudited net asset value of the Target Company as at 31 December 2020 of approximately RMB136.3 million; and (ii) the reasons for and benefits of the Disposal as described under the paragraph headed "Reasons for and Benefits of the Disposal" in this announcement below. Accordingly, the Directors (including the independent non-executive Directors) consider that the consideration for the Disposal 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 will take place upon completion of the relevant industry and commercial registration with the local authority in respect of the Disposal.

Upon completion of the Disposal, the Target Company will be held as to 77% by the Vendor, 20% by the Purchaser and 3% by Mr. Zhang, and will remain as an indirect non-wholly owned subsidiary of the Company.

Purchaser's undertaking

The Purchaser has undertaken to hold the 10% equity interests in the Target Company as its long-term investment. The Vendor shall have a right of first refusal to purchase the said 10% equity interests in the Target Company in accordance with the Equity Transfer Agreement if the Purchaser intends to dispose the same in the future.

INFORMATION ON THE TARGET COMPANY

Corporate information of the Target Company

The Target Company is a company established in the PRC on 24 August 2018, with registered capital of RMB50,000,000. It is principally engaged in the distribution of Kweichow Moutai Chiew products. The Target Company is an indirect non-wholly owned subsidiary of the Company and was owned as to 87% by the Vendor, 10% by the Purchaser and 3% by Mr. Zhang, an employee of the Target Company, immediately prior to the Disposal.

Financial information of the Target Company

Set out below is the unaudited financial information of the Target Company for the financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2019 *RMB'000*	**For the year ended 31 December 2020** *RMB'000*
Revenue	240,949	310,234
Profit before tax	51,799	65,664
Profit after tax	39,865	49,248

The unaudited net asset value and total asset value of the Target Company as at 31 May 2021 were approximately RMB197.1 million and RMB228.8 million, respectively.

INFORMATION ON THE GROUP AND THE VENDOR

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

The Vendor is a company established in the PRC with limited liability, which is principally engaged in the business of distribution of liquor and spirits. It is an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability, which is principally engaged in investment holdings. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is owned as to 95% by Mr. Ran and 5% by Ms. Ran Changping（冉昌萍）, a sister of Mr. Ran. Mr. Ran is a director and the chairman of the board of the Target Company, and the general manager of the Vendor while Ms. Ran Changping does not hold any position with the Group.

FINANCIAL EFFECT OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

Having taken into account the consideration for the Disposal, based on the unaudited net asset value of Target Company as at 31 December 2020 and the related transaction costs, it is estimated that there will be no gain/loss recorded in respect of the Disposal. The Company intends to apply the net proceeds from the Disposal for general working capital of the Group.

Shareholders and potential investors should note that the above figures are for illustrative purpose only. The actual accounting gain or loss in connection with the Disposal may be different from the above and will be determined based on the financial position of the Target Company on the date of completion of the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company is principally engaged in the distribution of Kweichow Moutai Chiew products. Mr. Ran has substantial experience and extensive network in the industry of Chinese liquor and spirits. Since Mr. Ran joined the Group in 2019, he has successfully led the Target Company in brand building and developing sales and distribution network and assisted the Group in obtaining the brand authorisation of Huamaojiu, contributing to a rapid growth in the business of liquor and spirits trading of the Group. With the excellent quality and brand position of Huamaojiu in the PRC market, it becomes one of the most significant segments in the Group.

As Mr. Ran is a director of the Target Company, the Disposal would provide incentive and rewards to Mr. Ran by aligning the interests of the core management of the liquor and spirits trading business with that of the Group and is expected to secure the continuous commitment from Mr. Ran to the Target Company in the future, whilst the Group will remain holding majority interests in the Target Company. Leveraging on the management and industry experience of Mr. Ran, the Group may explore more opportunities for the development of the business of liquor and spirits. In addition, the proceeds available from the Disposal will be used as general working capital of the Group, which would strengthen the Group's liquidity and financial position.

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

CONFIRMATION OF THE BOARD

None of the Directors has a material interest in the Disposal and shall abstain from voting on the relevant board resolutions of the Company approving the Disposal and the Equity Transfer Agreement. The Board (including the independent non-executive Directors) has confirmed that (i) the terms of the Equity Transfer Agreement are fair and reasonable; (ii) the Equity Transfer Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) the Equity Transfer Agreement 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 Disposal exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. As the Purchaser is ultimately controlled by Mr. Ran, who is a director and the chairman of the board of the Target Company and a connected person of the Company at the subsidiary level, the Purchaser is an associate of Mr. Ran and thus a connected person of the Company at the subsidiary level according to Rule 14A.07 of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, since (i) the Purchaser is a connected person at the subsidiary level, (ii) the Board has approved the Equity Transfer Agreement; and (iii) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Agreement are fair and reasonable and the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors is considered to have a material interest in the Disposal and therefore none of the Directors was required to abstain from voting on the resolutions of the Board approving the Equity Transfer Agreement and the transactions contemplated thereunder.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

"Board"	the board of Directors
"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)
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of 10% equity interests in the Target Company by the Vendor to the Purchaser as contemplated under the Equity Transfer Agreement
"Equity Transfer Agreement"	the equity transfer agreement dated 6 July 2021 entered into between the Vendor and the Purchaser in respect of the Disposal
"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
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mr. Ran"	Mr. Ran Changxian（冉昌賢）
"Mr. Zhang"	Mr. Zhang Quantu（張權圖）
"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"	Guizhou Renhuai Xianyechang Trading Co., Ltd.（貴州省仁懷市賢業昌商貿有限公司）, a company established in the PRC with limited liability
"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"	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
"Vendor"	Shenzhen Huayu Wine Development Co., Ltd.* (深圳華昱酒業發展有限公司) (formerly known as Shenzhen Huayu Kaitian Trade Development Co., Ltd.* (深圳華昱凱天貿易發展有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"%"	per cent.

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

Hong Kong, 6 July 2021

* *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$1.2.

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