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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)

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

Reference is made to the announcement of the Company dated 6 July 2021 in relation to the Disposal (the “**Announcement**”). Unless otherwise specified, capitalized terms used herein shall have the same meanings as defined in the Announcement.

THE SUPPLEMENTAL AGREEMENT

On 22 July 2021 (after trading hours), the Vendor and the Purchaser (collectively, the “**Parties**”) entered into a supplemental agreement (the “**Supplemental Agreement**”) in relation to the transfer of 10% equity interests in the Target Company (the “**Target Interests**”) to amend certain terms of the Equity Transfer Agreement.

Adjustment to consideration and payment terms of the Disposal

Pursuant to the Supplemental Agreement, the consideration for the Disposal shall be adjusted to approximately RMB19.71 million (equivalent to approximately HK\$23.65 million) (the “**Adjusted Consideration**”). The Adjusted Consideration shall be settled by the Purchaser in the following manner:

- (i) RMB8 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 Adjusted Consideration in the amount of approximately RMB11.71 million shall be payable by the Purchaser to the Vendor within the Payment Period.

The Adjusted Consideration 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 May 2021 of approximately RMB197.1 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 the Announcement.

Pledge of the Target Interests

Pursuant to the Supplemental Agreement, the Purchaser shall provide a share pledge in respect of the Target Interests (the “**Share Pledge**”) in favour of the Vendor. It was agreed by the Parties that (i) the Share Pledge shall be effective until the Adjusted Consideration is fully settled by the Purchaser within the Payment Period; (ii) the Share Pledge shall be registered with the relevant local administration for industry and commerce within 1 month from the date of the relevant Share Pledge agreement; and (iii) in the event that the Purchaser fails to observe its payment obligation according to the payment schedule and fails to rectify within 14 days in accordance with the Vendor’s request, the Vendor has the right to enforce the Share Pledge, either by settling the Adjusted Consideration with the pledged Target Interests, realising the pledged Target Interests or other means as permitted by the laws and regulations.

Reasons for entering into the Supplemental Agreement

The terms of the Supplemental Agreement have been arrived at after arm’s length negotiation between the Parties. Given that the unaudited net asset value of the Target Company during the period from January to May 2021 has been increasing due to rising profits from its business operation, the Board considers that the adjustment to the original consideration and payment terms will further promote the interest of the Group in the Disposal. The Share Pledge also provides additional security to the Group in order to safeguard the receipt of full amount of the Adjusted Consideration from the Purchaser. The Directors (including the independent non-executive Directors) thus consider that the Adjusted Consideration and the terms and conditions of the Equity Transfer Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable, and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

Save as disclosed above, there are no other changes to the Disposal and all other terms and conditions of the Equity Transfer Agreement remain unchanged and continue to be in full force and effect.

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

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

Hong Kong, 22 July 2021

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\$1.20.

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.