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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)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board of directors (the “Board”) of Huayu Expressway Group Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2024, together with comparative figures for the year ended 31 December 2023 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2024*

|  | <i>Note</i> | <b>2024</b><br><b>RMB'000</b> | <b>2023</b><br><b>RMB'000</b> |
|--|-------------|-------------------------------|-------------------------------|
| <b>Continuing operations</b>   |             |                               |                               |
| <b>Revenue</b>   | <i>4</i>    | <b>198,145</b>                | 407,104                       |
| Cost of sales  |             | <b>(158,641)</b>              | (292,090)                     |
| <b>Gross profit</b>  |             | <b>39,504</b>                 | 115,014                       |
| Other revenue  | <i>5</i>    | <b>3,144</b>                  | 4,333                         |
| Other net loss   | <i>5</i>    | <b>(1,596)</b>                | (4,337)                       |
| Administrative expenses  |             | <b>(47,216)</b>               | (58,903)                      |
| Selling and distribution costs                                       |             | <b>(10,481)</b>               | (15,377)                      |
| <b>(Loss)/profit from operations</b>                                 |             | <b>(16,645)</b>               | 40,730                        |
| Finance costs  | <i>6(a)</i> | <b>(5,102)</b>                | (1,864)                       |
| Share of profits less losses of associates                           |             | <b>12,526</b>                 | 226                           |
| <b>(Loss)/profit before taxation</b>                                 | <i>6</i>    | <b>(9,221)</b>                | 39,092                        |
| Income tax   | <i>7</i>    | <b>(4,064)</b>                | (22,154)                      |
| <b>(Loss)/profit from continuing operations</b>                      |             | <b>(13,285)</b>               | 16,938                        |
| <b>Discontinued Sui-Yue Expressway operation</b>                     |             |                               |                               |
| Profit from discontinued Sui-Yue Expressway operation,<br>net of tax | <i>8</i>    | <b>–</b>                      | 342,400                       |
| <b>(Loss)/profit for the year</b>                                    |             | <b>(13,285)</b>               | 359,338                       |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the year ended 31 December 2024*

|  | <i>Note</i> | <b>2024</b><br><b><i>RMB'000</i></b> | <b>2023</b><br><b><i>RMB'000</i></b> |
|--|-------------|--------------------------------------|--------------------------------------|
| <b>(Loss)/profit attributable to:</b>                |             |                                      |                                      |
| Equity shareholders of the Company                   |             |                                      |                                      |
| – continuing operations                              |             | <b>(8,514)</b>                       | 4,340                                |
| – discontinued Sui-Yue Expressway operation          |             | <u>–</u>                             | <u>325,092</u>                       |
|  |             | <b>(8,514)</b>                       | 329,432                              |
| Non-controlling interests                            |             |                                      |                                      |
| – continuing operations                              |             | <b>(4,771)</b>                       | 12,598                               |
| – discontinued Sui-Yue Expressway operation          |             | <u>–</u>                             | <u>17,308</u>                        |
|  |             | <b>(4,771)</b>                       | 29,906                               |
| (Loss)/profit for the year                           |             | <b><u>(13,285)</u></b>               | <b><u>359,338</u></b>                |
| <b>Basic (loss)/earnings per share (RMB Cents)</b>   |             |                                      |                                      |
|  | 9           |                                      |                                      |
| – continuing operations                              |             | <b>(2.06)</b>                        | 1.05                                 |
| – discontinued Sui-Yue Expressway operation          |             | <u>–</u>                             | <u>78.79</u>                         |
|  |             | <b>(2.06)</b>                        | 79.84                                |
| <b>Diluted (loss)/earnings per share (RMB Cents)</b> |             |                                      |                                      |
|  | 9           |                                      |                                      |
| – continuing operations                              |             | <b>(2.06)</b>                        | 1.05                                 |
| – discontinued Sui-Yue Expressway operation          |             | <u>–</u>                             | <u>78.79</u>                         |
|  |             | <b>(2.06)</b>                        | 79.84                                |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

|   | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---|-----------------|-----------------|
| (Loss)/profit for the year  | (13,285)        | 359,338         |
| <b>Other comprehensive income for the year:</b>   |                 |                 |
| <i>Item that may be reclassified subsequently to profit or loss:</i>                              |                 |                 |
| Exchange differences on translation of:   |                 |                 |
| – financial statements of entities comprising the Group not using Renminbi as functional currency | 1,407           | (7)             |
| <b>Total comprehensive income for the year</b>  | <b>(11,878)</b> | <b>359,331</b>  |
| <b>Attributable to:</b>   |                 |                 |
| Equity shareholders of the Company  |                 |                 |
| – continuing operations   | (7,107)         | 4,333           |
| – discontinued Sui-Yue Expressway operation   | –               | 325,092         |
|   | (7,107)         | 329,425         |
| Non-controlling interests   |                 |                 |
| – continuing operations   | (4,771)         | 12,598          |
| – discontinued Sui-Yue Expressway operation   | –               | 17,308          |
|   | (4,771)         | 29,906          |
| <b>Total comprehensive income for the year</b>  | <b>(11,878)</b> | <b>359,331</b>  |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2024*

|   |             | <b>2024</b>           | <b>2023</b>           |
|---|-------------|-----------------------|-----------------------|
|   | <i>Note</i> | <b><i>RMB'000</i></b> | <b><i>RMB'000</i></b> |
| <b>Non-current assets</b>                         |             |                       |                       |
| Property, plant and equipment                     |             | <b>428,974</b>        | 211,164               |
| Intangible asset – service concession arrangement |             | <b>49,134</b>         | 80,197                |
| Interests in associates                           |             | <b>163,579</b>        | 180,563               |
| Deferred tax assets                               |             | <b>266</b>            | 162                   |
| Contingent consideration receivables              |             | <b>20,648</b>         | 20,011                |
| Prepayments                                       |             | <b>36,563</b>         | 37,120                |
|   |             | <b>699,164</b>        | 529,217               |
| <b>Current assets</b>                             |             |                       |                       |
| Inventories                                       |             | <b>390,608</b>        | 256,628               |
| Financial assets at FVPL                          |             | <b>–</b>              | 14,242                |
| Value added tax receivables                       |             | <b>40,632</b>         | 11,281                |
| Trade and other receivables                       | <i>10</i>   | <b>10,393</b>         | 7,066                 |
| Prepayments                                       |             | <b>48,145</b>         | 23,273                |
| Amounts due from related parties                  |             | <b>37,566</b>         | 29,774                |
| Contingent consideration receivables              |             | <b>545</b>            | 64,029                |
| Cash and cash equivalents                         |             | <b>185,756</b>        | 313,720               |
|   |             | <b>713,645</b>        | 720,013               |
| <b>Current liabilities</b>                        |             |                       |                       |
| Accruals and other payables                       |             | <b>67,419</b>         | 29,842                |
| Amounts due to related parties                    |             | <b>1,057</b>          | 2,585                 |
| Contract liabilities                              |             | <b>12,608</b>         | 77,554                |
| Banks loans and other borrowings                  |             | <b>145,124</b>        | –                     |
| Lease liabilities                                 |             | <b>2,388</b>          | 899                   |
| Current taxation                                  |             | <b>5,775</b>          | 13,768                |
|   |             | <b>234,371</b>        | 124,648               |
| <b>Net current assets</b>                         |             | <b>479,274</b>        | 595,365               |
| <b>Total assets less current liabilities</b>      |             | <b>1,178,438</b>      | 1,124,582             |

|  | 2024<br><i>RMB'000</i>  | 2023<br><i>RMB'000</i>  |
|--|-------------------------|-------------------------|
| <b>Non-current liabilities</b>   |                         |                         |
| Lease liabilities  | 540                     | 560                     |
| Bank loans   | 99,469                  | —                       |
|  | <u>100,009</u>          | <u>560</u>              |
| <b>NET ASSETS</b>  | <u>1,078,429</u>        | <u>1,124,022</u>        |
| <b>CAPITAL AND RESERVES</b>  |                         |                         |
| Share capital  | 3,634                   | 3,634                   |
| Reserves   | 747,511                 | 800,192                 |
| <b>Total equity attributable to equity shareholders of the Company</b> | <b>751,145</b>          | <b>803,826</b>          |
| <b>Non-controlling interests</b>                                       | <b>327,284</b>          | <b>320,196</b>          |
| <b>TOTAL EQUITY</b>  | <u><b>1,078,429</b></u> | <u><b>1,124,022</b></u> |

## NOTES

*(Expressed in Renminbi unless otherwise stated)*

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 April 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the construction, operation and management of expressways and the trading of liquor and spirits in the People's Republic of China ("PRC").

### 2. MATERIAL ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment in wealth management product;
- contingent consideration receivables.

The preparation of financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements-Classification of liabilities as current or non-current* (“2020 amendments”) and amendments to HKAS 1, *Presentation of financial statements-Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to HKFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended HKFRS Accounting Standards are discussed below:

#### **Amendments to HKAS 1, *Presentation of financial statements* (the 2020 and 2022 amendments, collectively the “HKAS 1 amendments”)**

The HKAS 1 amendments impact the classification of a liability as current or non-current, and have been applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions.

Upon the adoption of the HKAS 1 amendments, the Group has reassessed the classification of its liabilities as current or non-current, and did not identify any reclassification to be made.

#### **Amendments to HKFRS 16, *Leases-Lease liability in a sale and leaseback***

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

#### **Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: disclosures-Supplier finance arrangements***

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The amendments do not have a material impact on these consolidated financial statement as the Group has not entered into any supplier finance arrangements.

#### 4. REVENUE AND SEGMENT REPORTING

##### (a) Revenue

The Group disposed of the Sui-Yue Expressway (Hunan Section) (the “Sui-Yue Expressway”) operation in April 2023, since then the principal activities of the Group are the trading of liquor and spirits and construction, operation and management of the First Phase of Qing Ping Expressway (the “Qing Ping Expressway”) in Mainland China. Further details regarding the Group’s principal activities are disclosed in Note 4(b).

##### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

|   | 2024<br><i>RMB’000</i> | 2023<br><i>RMB’000</i> |
|---|------------------------|------------------------|
| <b>Revenue from contracts with customers within the scope of HKFRS 15</b> |                        |                        |
| Disaggregated by major products or service lines                          |                        |                        |
| <b>Continuing operations:</b>   |                        |                        |
| – Toll income   | 69,530                 | 77,918                 |
| – Sales of liquor and spirits   | 128,615                | 329,186                |
|   | <u>198,145</u>         | <u>407,104</u>         |
| <b>Discontinued Sui-Yue Expressway operation:</b>                         |                        |                        |
| – Toll income   | –                      | 69,669                 |
|   | <u>198,145</u>         | <u>476,773</u>         |

Since the Group’s revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is Mainland China. Therefore, no analysis by geographical regions is presented.

All the above revenue of the Group were recognised at a point in time.

During the year ended 31 December 2024, the Group’s only customer with whom transactions have exceeded 10% of the Group’s revenue are set out below:

|                            | 2024<br><i>RMB’000</i> | 2023<br><i>RMB’000</i> |
|----------------------------|------------------------|------------------------|
| Customer A <sup>(aa)</sup> | <u>52,823</u>          | <u>180,213</u>         |

<sup>(aa)</sup> Revenue from liquor and spirits segment.



**(ii) Performance obligations for contracts with customers**

Information about the Group's performance obligations is summarised below:

*Toll income*

The performance obligation is satisfied when the relevant services have been provided upon the completion of passing through the expressway.

*Sales of liquor and spirits*

The performance obligation is satisfied upon delivery of the products and payment in advance is normally required.

All contracts with customers related to sales of liquor and spirits have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

**(b) Segment reporting**

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

Continuing reportable segments:

- Qing Ping Expressway, construction, operation and management of the Qing Ping Expressway;
- Liquor and spirits, mainly distribution of Huamaojiu and Xijiushaofang.

Discontinued reportable segment:

- Sui-Yue Expressway, construction, operation and management of the Sui-Yue Expressway.

**(i) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include accruals, bills payable and lease liabilities attributable to the expressways operations and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

|  | For the year ended 31 December 2024 |                                  |                  |
|--|-------------------------------------|----------------------------------|------------------|
|  | Continuing operations               |                                  |                  |
|  | Qing Ping<br>Expressway<br>RMB'000  | Liquor and<br>spirits<br>RMB'000 | Total<br>RMB'000 |
| Reportable segment revenue                     | 69,530                              | 128,615                          | 198,415          |
| Reportable segment profit<br>(adjusted EBITDA) | 26,688                              | 23,388                           | 50,076           |
| Interest income from bank deposits             | 240                                 | 1,051                            | 1,291            |
| Interest expense                               | –                                   | (5,048)                          | (5,048)          |
| Depreciation and amortisation<br>for the year  | (31,957)                            | (7,263)                          | (39,220)         |
| As at 31 December 2024                         |                                     |                                  |                  |
| Reportable segment assets                      | 174,235                             | 1,233,779                        | 1,408,014        |
| Reportable segment liabilities                 | 9,662                               | 361,786                          | 371,448          |

  

|  | For the year ended 31 December 2023 |                                  |                     |  |                  |
|--|-------------------------------------|----------------------------------|---------------------|--|------------------|
|  | Continuing operations               |                                  |                     | Discontinued<br>Sui-Yue<br>Expressway<br>operation |                  |
|  | Qing Ping<br>Expressway<br>RMB'000  | Liquor and<br>spirits<br>RMB'000 | Subtotal<br>RMB'000 | Sui-Yue<br>Expressway<br>RMB'000                   | Total<br>RMB'000 |
| Reportable segment revenue                                       | 77,918                              | 329,186                          | 407,104             | 69,669   | 476,773          |
| Reportable segment profit (adjusted EBITDA)                      | 35,891                              | 77,133                           | 113,024             | 386,169  | 499,193          |
| Interest income from bank deposits                               | 182                                 | 1,258                            | 1,440               | 625  | 2,065            |
| Interest expense   | –                                   | (1,849)                          | (1,849)             | (13,835)   | (15,684)         |
| Depreciation and amortisation for the year                       | (35,525)                            | (2,781)                          | (38,306)            | –  | (38,306)         |
| Gain on disposal of discontinued Sui-Yue<br>Expressway operation | –                                   | –                                | –                   | 320,307  | 320,307          |
| As at 31 December 2023   |                                     |                                  |                     |  |                  |
| Reportable segment assets  | 179,143                             | 948,477                          | 1,127,620           | –  | 1,127,620        |
| Reportable segment liabilities                                   | 9,542                               | 97,934                           | 107,476             | –  | 107,476          |

(ii) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities**

|   | 2024<br>RMB'000         | 2023<br>RMB'000         |
|---|-------------------------|-------------------------|
| <b>Revenue</b>  |                         |                         |
| Reportable segment revenue  | 198,145                 | 476,773                 |
| Less: segment revenue from discontinued<br>Sui-Yue Expressway operation | <u>—</u>                | <u>(69,669)</u>         |
| Consolidated revenue (Note 4(a))  | <u><u>198,145</u></u>   | <u><u>407,104</u></u>   |
| <b>Profit</b>   |                         |                         |
| Reportable segment profit (adjusted EBITDA)                             | 50,076                  | 499,193                 |
| Less: segment profit from discontinued<br>Sui-Yue Expressway operation  | <u>—</u>                | <u>(386,169)</u>        |
| Reportable segment profit from continuing operations                    | 50,076                  | 113,024                 |
| Other revenue   | 1,291                   | 2,929                   |
| Other net income  | 453                     | 566                     |
| Depreciation and amortisation   | (39,888)                | (38,306)                |
| Finance costs   | (5,102)                 | (1,849)                 |
| Unallocated head office and corporate expenses                          | <u>(16,051)</u>         | <u>(37,272)</u>         |
| Consolidated (loss)/profit before taxation                              | <u><u>(9,221)</u></u>   | <u><u>39,092</u></u>    |
| <b>Assets</b>   |                         |                         |
| Reportable segment assets   | 1,408,014               | 1,127,620               |
| Elimination of inter-segment receivables                                | <u>(46,215)</u>         | <u>(37,695)</u>         |
|   | 1,361,799               | 1,089,925               |
| Deferred tax assets   | 266                     | 162                     |
| Unallocated head office and corporate assets                            | <u>50,744</u>           | <u>159,143</u>          |
| Consolidated total assets   | <u><u>1,412,809</u></u> | <u><u>1,249,230</u></u> |
| <b>Liabilities</b>  |                         |                         |
| Reportable segment liabilities  | 371,448                 | 107,476                 |
| Elimination of inter-segment payables                                   | <u>(46,215)</u>         | <u>(37,695)</u>         |
|   | 325,233                 | 69,781                  |
| Current taxation  | 5,775                   | 13,768                  |
| Unallocated head office and corporate liabilities                       | <u>3,372</u>            | <u>41,659</u>           |
| Consolidated total liabilities  | <u><u>334,380</u></u>   | <u><u>125,208</u></u>   |

## 5. OTHER REVENUE AND NET LOSS

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Other revenue</b>   |                 |                 |
| <b>Continuing operations:</b>                                |                 |                 |
| Billboard rental income                                      | 882             | 821             |
| Interest income from bank deposits                           | 1,944           | 2,843           |
| Income from wealth management product                        | 318             | 669             |
|  | <u>3,144</u>    | <u>4,333</u>    |
| <b>Discontinued Sui-Yue Expressway operation:</b>            |                 |                 |
| Billboard rental income                                      | –               | 98              |
| Interest income from bank deposits                           | –               | 625             |
|  | <u>–</u>        | <u>723</u>      |
|  | <u>3,144</u>    | <u>5,056</u>    |
| <b>Other net (loss)/income</b>                               |                 |                 |
| <b>Continuing operations:</b>                                |                 |                 |
| Net foreign exchange loss                                    | (2,715)         | (580)           |
| Change in fair value of contingent consideration receivables | 239             | (3,604)         |
| Loss on disposal of property, plant and equipment            | (12)            | (23)            |
| Gain on derecognition of associates                          | 427             | –               |
| Others   | 465             | (130)           |
|  | <u>(1,596)</u>  | <u>(4,337)</u>  |
| <b>Discontinued Sui-Yue Expressway operation:</b>            |                 |                 |
| Reversal of compensation for litigation                      | –               | 5,834           |
| Net foreign exchange gain                                    | –               | 66              |
| Others   | –               | 257             |
|  | <u>–</u>        | <u>6,157</u>    |
|  | <u>(1,596)</u>  | <u>1,820</u>    |

## 6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

### (a) Finance costs:

|   | 2024<br><i>RMB'000</i> | 2023<br><i>RMB'000</i> |
|---|------------------------|------------------------|
| <b>Continuing operations:</b>                                     |                        |                        |
| Interest on bank loans and other borrowings                       | 5,362                  | 1,818                  |
| Less: interest expense capitalised into construction in progress* | (439)                  | –                      |
|   | <u>4,923</u>           | <u>1,818</u>           |
| Interest on lease liabilities                                     | 179                    | 46                     |
|   | <u>5,102</u>           | <u>1,864</u>           |
| <b>Discontinued Sui-Yue Expressway operation:</b>                 |                        |                        |
| Interest on bank loans and other borrowing                        | –                      | 13,835                 |
|   | <u>5,102</u>           | <u>15,699</u>          |

\* The borrowing costs have been capitalised at a rate of 3.65% per annum.

### (b) Staff costs (including directors' emoluments):

|  | 2024<br><i>RMB'000</i> | 2023<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Continuing operations:</b>                          |                        |                        |
| Salaries, wages and other benefits                     | 34,342                 | 52,195                 |
| Contributions to defined contribution retirement plans | 3,345                  | 2,688                  |
|  | <u>37,687</u>          | <u>54,883</u>          |
| <b>Discontinued Sui-Yue Expressway operation:</b>      |                        |                        |
| Salaries, wages and other benefits                     | –                      | 3,723                  |
| Contributions to defined contribution retirement plans | –                      | 628                    |
|  | <u>–</u>               | <u>4,351</u>           |
|  | <u>37,687</u>          | <u>59,234</u>          |

Pursuant to the relevant labour rules and regulations in Mainland China, Mainland China subsidiaries participate in a defined contribution retirement benefit scheme (“the Scheme”) organised by the local authority whereby Mainland China subsidiaries are required to make contributions to the Scheme at a fixed rate announced annually by the municipal government. The municipal government is responsible for the entire pension obligations payable to the retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

There is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group has no other material obligation for the payment of pension benefits associated with the schemes referred to above beyond the annual contributions described above.

(c) **Other items:**

|  | <b>2024</b><br><b><i>RMB’000</i></b> | 2023<br><i>RMB’000</i> |
|--|--------------------------------------|------------------------|
| <b>Continuing operations</b>               |                                      |                        |
| Auditors’ remuneration                     |                                      |                        |
| – annual audit and interim review services | <b>1,551</b>                         | 2,032                  |
| – other professional services              | –                                    | 1,835                  |
| Depreciation charge                        |                                      |                        |
| – owned property, plant and equipment      | <b>2,239</b>                         | 1,472                  |
| – right-of-use assets                      | <b>6,586</b>                         | 2,606                  |
| Amortisation                               |                                      |                        |
| – Qing Ping Expressway                     | <b>31,063</b>                        | 34,894                 |
| Cost of inventories recognised as expense  | <b>91,859</b>                        | 222,915                |

## 7. INCOME TAX

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Continuing operations</b>   |                 |                 |
| Current tax – PRC Corporate Income tax                                       |                 |                 |
| – Provision for the year   | 3,022           | 17,837          |
| – Withholding tax  | 2,400           | 1,080           |
| – (Over)/under-provision in respect of prior years                           | (1,254)         | 2,017           |
|  | <u>4,168</u>    | <u>20,934</u>   |
| Deferred tax   |                 |                 |
| – Origination and reversal of temporary differences                          | (104)           | 1,220           |
|  | <u>4,064</u>    | <u>22,154</u>   |
| <b>Discontinued Sui-Yue Expressway operation:</b>                            |                 |                 |
| Current tax – PRC corporate income tax                                       |                 |                 |
| – Provision for the year   | –               | 6,028           |
| Deferred tax   |                 |                 |
| – Origination and reversal of temporary differences                          | –               | 3,452           |
|  | –               | 9,480           |
| Withholding tax on gain on sale of discontinued Sui-Yue Expressway operation | –               | 21,177          |
|  | –               | 30,657          |

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax during the years ended 31 December 2024 and 2023.
- (iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in Mainland China are subject to PRC corporate income tax at a rate of 25% (2023: 25%) on its assessable profits. Reversal and origination of temporary differences are in connection with the impairment provision and construction profit of intangible asset – service concession arrangement, deductible tax losses and other deductible temporary differences.
- (iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise directly.
- (v) In 2023, the withholding tax on gain on sale of discontinued Sui-Yue Expressway operation was charged at 10% on the difference between the consideration received/receivable for the sale of a subsidiary and the deemed cost recognised by the PRC tax authority.

## 8. DISCONTINUED SUI-YUE EXPRESSWAY OPERATION

On 1 December 2022, the Group entered into a sale and purchase agreement (“Disposal Agreement”) with NWS (Guangdong) Investment Company Limited (“NWS”), a minority shareholder which owned 40% equity interest of Hunan Daoyue Expressway Industry Co., Ltd. (湖南道岳高速公路實業有限公司, “Daoyue”), a non-wholly subsidiary of the Group in which the Group has 60% equity interest. Pursuant to the sale and purchase agreement, the Group agreed to sell its entire equity interests in Daoyue to NWS at a consideration of RMB555,700,000 (“Consideration”), subject to the terms and conditions (“Estimated Adjustments”) in the sale and purchase agreement (“the Disposal”). The Disposal was completed in 25 April 2023 (“Completion Date”).

The results of the discontinued Sui-Yue Expressway operation for the period from 1 January 2023 to Completion Date are as follows:

### (a) Results of discontinued Sui-Yue Expressway operation

|  | Note | Period from<br>1 January<br>2023 to<br>Completion Date<br>RMB'000 |
|--|------|---|
| <b>Discontinued Sui-Yue Expressway operation</b>                             |      |   |
| <b>Revenue</b>   | 4    | 69,669  |
| Cost of sales  |      | (6,228)   |
| <b>Gross profit</b>  |      | 63,441  |
| Other revenue  | 5    | 723   |
| Other net income   | 5    | 6,157   |
| Administrative expenses  |      | (3,736)   |
| <b>Profit from operation</b>   |      | 66,585  |
| Finance costs  | 6(a) | (13,835)  |
| <b>Profit before taxation</b>  | 6    | 52,750  |
| Income tax   | 7(a) | (9,480)   |
| <b>Profit for the period</b>   |      | 43,270  |
| Gain on disposal of discontinued Sui-Yue Expressway operation                |      | 320,307   |
| Withholding tax on gain on sale of discontinued Sui-Yue Expressway operation | 7(a) | (21,177)  |
| Profit from discontinued Sui-Yue Expressway operation for the period         |      | 342,400   |
| Basic and diluted earnings per share   |      | 78.79   |



**(b) Cash flows of discontinued Sui-Yue Expressway operation**

|  | Period from<br>1 January<br>2023 to<br>Completion Date<br>RMB'000 |
|--|---|
| Net cash generated from operating activities | 46,451  |
| Net cash generated from investing activities | 642   |
| Net cash used in financing activities        | (13,835)  |
|  | <hr/>   |
| Net cash flow for the period                 | <u>33,258</u>   |

**(c) Effect of disposal on the financial position of the Group**

|   | Completion<br>Date<br>RMB'000 |
|---|-------------------------------|
| Property, plant and equipment                     | 15,079                        |
| Intangible asset – service concession arrangement | 1,062,711                     |
| Deferred tax assets                               | 108,723                       |
| Trade and other receivables                       | 10,236                        |
| Cash and cash equivalents                         | 87,672                        |
| Accruals and other payables                       | (50,240)                      |
| Amounts due to related parties                    | (1,551)                       |
| Bank loans  | (877,924)                     |
| Current taxation                                  | (1,541)                       |
| Non-controlling interests                         | (141,266)                     |
|   | <hr/>                         |
| Net assets attributable to the Group              | <u>211,899</u>                |
|   | <hr/>                         |
| Consideration received during the period*         | 444,560                       |
| Net cash and cash equivalents disposed of         | (87,672)                      |
|   | <hr/>                         |
| Net cash inflows during the reporting period      | <u>356,888</u>                |

\* Pursuant to Disposal Agreement, the Consideration of approximately RMB555.7 million would be settled in three instalments. The first instalment of approximately RMB444.6 million was received during 2023 and the second and third instalment of approximately RMB72.2 million and approximately RMB38.9 million will be settled respectively upon fulfilment (or waiver) of the conditions precedent and are subject to estimated adjustments.

(d) **Gain on disposal of discontinued Sui-Yue Expressway operation is calculated as follows:**

|  | <i>RMB'000</i>        |
|--|-----------------------|
| Consideration for the Disposal                   | 555,700               |
| Less: Estimated Adjustments*                     | <u>(23,494)</u>       |
| Fair value of consideration for the Disposal     | 532,206               |
| Net assets attributable to the Group disposed of | <u>(211,899)</u>      |
| Gain on disposal                                 | <u><u>320,307</u></u> |

\* *Pursuant to Disposal Agreement, the Consideration for the Disposal is subject to an upward or downward adjustments (as the case may be) for certain incidents ("Estimated Adjustments"). The details of Estimated Adjustments are set as below, the occurrence of which resulted in the adjustments to be made to the Consideration:*

|   | <i>RMB'000</i>         |
|---|------------------------|
| Estimated fees for obtaining of the title registration certificate(s)<br>of the land and properties of the Daoyue (i) | (33,361)               |
| Net profit attributable to the Group between reference date and<br>the Completion date (ii)                           | 16,644                 |
| Others  | <u>(6,777)</u>         |
| Estimated Adjustments   | <u><u>(23,494)</u></u> |

- (i) The amount represents an accrual of RMB33,361,000 recognised in Daoyue for land-transferring fees, valuation fees and other fees for obtaining of the title registration certificates of a piece of occupied land, which was estimated by the relevant government authority.
- (ii) The amount represents the net profit of Daoyue attributable to the Group between the reference date of the Disposal and the Completion Date.

## 9. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share has been based on the following (loss)/profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

#### (i) (Loss)/profit attributable to ordinary shareholders of the Company (basic)

|  | 2024<br>RMB'000 | 2023<br>RMB'000 |
|--|-----------------|-----------------|
| From continuing operations   | (8,514)         | 4,340           |
| From discontinued Sui-Yue Expressway operation                     | —               | 325,092         |
|  | <hr/>           | <hr/>           |
| (Loss)/profit attributable to ordinary shareholders of the Company | <u>(8,514)</u>  | <u>329,432</u>  |

#### (ii) Weighted-average number of ordinary shares (basic)

|   | 2024<br>'000   | 2023<br>'000   |
|---|----------------|----------------|
| Weighted average number of ordinary shares for the year | <u>412,608</u> | <u>412,608</u> |

### (b) Diluted earnings per share

The diluted earnings per share is equivalent to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2024.

The diluted earnings per share is equivalent to the basic earnings per share as the effect of share options of the Group was anti-dilutive. The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

# 10. TRADE RECEIVABLES AND OTHER RECEIVABLES

|                                       | 2024<br>RMB'000 | 2023<br>RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Trade receivables ( <i>note (i)</i> ) | 4,840           | 2,303           |
| Other receivables                     | 5,553           | 4,763           |
|                                       | <hr/>           | <hr/>           |
| Financial assets at amortised cost    | <u>10,393</u>   | <u>7,066</u>    |

- (i) Trade receivables represent toll revenue receivables from toll road operation. At 31 December 2024, all of trade receivables are aged within one month and the settlement period of the toll revenue receivables is normally within a month due to the implementation of unified toll collection policy on the expressway.

There was no recent history of default in respect of the Group's debtors. Since the debtors are local government authorities and government agencies in Mainland China and based on past experience, management believes that no impairment allowance is necessary in respect of the trade receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. No impairment loss was recognised by the Group at 31 December 2024 (2023: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, due to the contraction of the consumer market in the People's Republic of China (the "PRC"), there were substantial declines in both of the revenue and the profit of the Group. For the year ended 31 December 2024, the total revenue of the Group was about RMB198.1 million and the loss for the year from the continuing operations was about RMB13.3 million.

### Revenue

For the year ended 31 December 2024, the Group recorded revenue of approximately RMB198.1 million, decreased by about 51.3% from that of approximately RMB407.1 million for the year ended 31 December 2023.

The toll revenue received from the First Phase of Qing Ping Expressway (the "Qing Ping Expressway") was about RMB69.5 million for the year ended 31 December 2024, decreased by about 10.8% from about RMB77.9 million for the year ended 31 December 2023. The traffic flow of the Qing Ping Expressway was about 22.9 million vehicles, decreased by about 6.5% from that of about 24.5 million vehicles for the year ended 31 December 2023.

For the sales of liquor and spirits, the total revenue was about RMB128.6 million for the year ended 31 December 2024, decreased by about 60.9% from that of about RMB329.2 million for the year ended 31 December 2023. During the year, economic slowdown, sluggish property market and high youth unemployment rate dampen the discretionary spending in the PRC, especially the Chinese wine market. Huamaojiu was still the main brand of liquor sold by the Group during the year ended 31 December 2024, accounting for about 69.6% of the total revenue of the segment of business. In addition, the Group also sold other brands of liquor during the year.

### Cost of sales and gross profit

The Group had a gross profit of about RMB39.5 million for the year ended 31 December 2024, decreased by about 65.7% from about RMB115.0 million for the year ended 31 December 2023. The decrease in gross profit was in line with the drop in the total revenue of the Group for the year. The relevant gross profit ratio was about 19.9% for the year ended 31 December 2024, decreased by about 8.4% from about 28.3% for the year ended 31 December 2023.

For the Qing Ping Expressway, the cost of sales was about RMB66.8 million and the gross profit ratio was about 3.9% for the year ended 31 December 2024. The decrease in the gross profit ratio of the Qing Ping Expressway from about 11.2% for the year ended 31 December 2023 was mainly due to the increase in the unit amortisation charge of the intangible asset relating to service concession arrangement as a result of the change in accounting estimate about the future toll revenue.

The total cost of sales for the liquor and spirits trading business was about RMB91.8 million and its gross profit ratio was about 28.6% for the year ended 31 December 2024, decreased by about 3.7% from about 32.3% for the year ended 31 December 2023. The decrease in the gross profit ratio was mainly due to the average unit selling price adjustment amid the weak market.

### **Other revenue and other net loss**

The Group recorded other revenue of approximately RMB3.1 million and RMB4.3 million for the years ended 31 December 2024 and 2023 respectively. In addition, the other net loss for the Group was about RMB1.6 million for the year ended 31 December 2024 and about RMB4.3 million for the year ended 31 December 2023. Other revenue of the Group was mainly the rental income from the billboards along the Qing Ping Expressway and interest income from bank deposits. Other net loss mainly represented the exchange loss recorded and the change in fair value of contingent consideration receivables during the years.

### **Administrative expenses**

Administrative expenses for the year ended 31 December 2024 were approximately RMB47.2 million, decreased by about 19.8% from approximately RMB58.9 million for the year ended 31 December 2023. The decrease was mainly due to the one-off special bonus paid to some senior management staff after the completion of the disposal of Sui-Yue Expressway during the year ended 31 December 2023.

### **Selling and distribution costs**

The Group recorded selling and distribution costs of about RMB10.5 million, including advertising fee and staff salary for the year ended 31 December 2024, decreased by about 31.8% from about RMB15.4 million for the year ended 31 December 2023. The amount was mainly incurred for the liquor and spirits trading business.

### **Finance costs**

For the year ended 31 December 2024, the finance costs of the Group were about RMB5.1 million, increased by about 168.4% from approximately RMB1.9 million for the year ended 31 December 2023. The amount was mainly paid for the banking facility provided for the liquor and spirits trading business during the year.

### **Loss for the year**

For the year ended 31 December 2024, the Group recorded loss for the year of about RMB13.3 million while the profit for the year was about RMB359.3 million for the year ended 31 December 2023. The turnaround from profit to loss for the year ended 31 December 2024 was mainly attributed by the significant drop in the revenue from the liquor and spirits trading business and the one-off gain on disposal of discontinued Sui-Yue Expressway operation of about RMB320.3 million recorded during the year ended 31 December 2023.

## **Discontinued operation**

On 1 December 2022, the Group entered into a sale and purchase agreement with NWS (Guangdong) Investment Company Limited (“NWS”), a minority shareholder which owned 40% equity interest in Hunan Daoyue Expressway Industry Co., Ltd. (“Daoyue”), a non wholly-owned subsidiary of the Group in which the Group owned 60% equity interest. Pursuant to the sale and purchase agreement, the Group agreed to sell its entire equity interest in Daoyue to NWS at a consideration of RMB555.7 million, subject to adjustments (the “Disposal”). The Disposal was completed on 25 April 2023. Accordingly, the Sui-Yue Expressway segment owned and operated by Daoyue was classified as discontinued operation.

## **Liquidity and financial resources**

During the year ended 31 December 2024, the Group financed its operations and capital expenditures via internal resources of the Company, bank loans and other borrowings. As at 31 December 2024, the total bank loans and other borrowings drawn by the Group amounted to approximately RMB244.6 million (2023: Nil). The total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately RMB185.8 million (2023: approximately RMB313.7 million).

The Group has always pursued a prudent treasury management policy and actively managed its liquidity position with sufficient cash and bank balances and standby banking facilities to cope with daily operation and any demands for capital in future development. As at 31 December 2024, the total banking facilities of the Group with the banks and other financial institutions in the PRC amounted to about RMB550 million, which were mainly for the working capital of the trading of liquor and spirits trading business segment. The ratio of the total outstanding bank loans and other borrowings to total equity was about 0.23 as at 31 December 2024 (2023: Nil).

The Group’s borrowings were mainly arranged on a floating rate basis. During the year ended 31 December 2024, the Group did not enter into any hedging arrangements to hedge against exposure in interest rate risk. Any substantial fluctuation of interest rate may cause financial impacts on the Group. The management of the Company will continue to monitor the Group’s interest rate exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

## **Intangible asset – service concession arrangement**

As at 31 December 2024, the intangible asset relating to service concession arrangement of about RMB49.1 million represents the right of the Group to operate the Qing Ping Expressway and receive toll fees therefrom.

## **Foreign currency risk**

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in HKD. As at 31 December 2024, the Group did not enter into any hedging arrangements to hedge against exposure in foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against HKD may cause financial impacts on the Group. The management of the Company will continue to monitor the Group's foreign currency exposure and will consider taking appropriate actions, including but not limited to hedging should the need arise.

## **Pledge of assets**

As at 31 December 2024, the secured bank loans of about RMB44.0 million were secured by the pledge of all equity interests in Shenzhen Huayu Expressway Investment Co., Ltd., a 60%-owned subsidiary of the Company. Another secured bank loans of about RMB72.5 million were secured by the Group's construction in progress. The other borrowings of about RMB105.1 million were secured by the Group's inventories.

## **Capital commitments**

The capital commitments for the Group representing the construction of a winery and operating centre outstanding as at 31 December 2024 and not provided for in the financial statements were about RMB203.6 million (2023: about RMB331.4 million).

## **BUSINESS REVIEW**

### **Qing Ping Expressway**

During the year ended 31 December 2024, competition from the adjacent passages, increase in the number of toll-free national holidays and the slowdown of economic growth in the PRC continued affecting the performance of the Qing Ping Expressway. The total toll revenue of the Qing Ping Expressway was about RMB69.5 million, decreased by about 10.8% from about RMB77.9 million for the year ended 31 December 2023. The average traffic flow for the year ended 31 December 2024 was about 1.9 million vehicles per month, decreased by about 5.0% from about 2.0 million vehicles per month for the year ended 31 December 2023. Average toll for the year ended 31 December 2024 was about RMB3.1 per vehicle, which is nearly the same for the year ended 31 December 2023.

### **Trading of Liquor and Spirits**

Contraction of the consumer market in the PRC seriously affected the business of the trading of liquor and spirits during the year ended 31 December 2024. The Group recorded revenue of trading of liquor and spirits of approximately RMB128.6 million, decreased by approximately 60.9% from about RMB329.2 million for the year ended 31 December 2023. Although active marketing campaigns and promotions were organised to strengthen the marketing network and the efficiency of the distribution channel, inventory was still accumulated in the distribution channel. For the year ended 31 December 2024, segment adjusted EBITDA also dropped by about 69.6% to about RMB23.4 million.



## **Special Interim Dividend**

Upon the receipt of the second instalment of the consideration about the Disposal in June 2024, the Group declared a special interim dividend of HK\$0.121 (equivalent to approximately RMB0.106) per share of the Company (the “Share”) to the shareholders of the Company on 28 June 2024 after considering the business, financial and cashflow position of the Group. The special interim dividend was paid on 1 August 2024.

## **Guizhou Renhuai Huayu Wine Co., Ltd. (“Guizhou Renhuai”)**

The Group acquired additional 21% equity interest in Guizhou Renhuai in 2023 and upon completion of the acquisition, Guizhou Renhuai became an indirect 51%-owned subsidiary of the Company. Guizhou Renhuai is mainly engaged in winemaking and other related businesses. It owns three pieces of land parcels collectively covering not less than 150,000 square meters and situating in Renhuai city of Guizhou Province in the PRC. It is intended that the land parcels will be developed into a winery and a comprehensive operating center comprising wine storage and packaging, office and carpark. The construction of the above-mentioned winery and operating center commenced in 2023 and is expected to be completed in 2025.

## **Huajia Winery (Shenzhen) Co., Ltd. (“Huajia”)**

The Group acquired 28% equity interest in Huajia in 2023 and upon the completion of the acquisition, Huajia became an associated company of the Group. Huajia is principally engaged in the investment in Guizhou Zunpeng Winery Co., Ltd. (“Guizhou Zunpeng”), which is owned as to approximately 44.94% by Huajia. Guizhou Zunpeng is principally engaged in the production and sales of base wine, which is a common raw material for production of Chinese liquor, and has commenced the initial stage of production and sales of base wine since 2020. The major customers of Guizhou Zunpeng include a leading Chinese liquor and spirits producer in the PRC. The production facilities of Guizhou Zunpeng is located in Bozhou District of Guizhou Province in the PRC with a gross floor area of about 130,000 square meters. The revenue and the profit after taxation of Guizhou Zunpeng were about RMB533.4 million and RMB131.7 million respectively for the year ended 31 December 2024.

Reference is made to the circular of the Company dated 1 November 2023 about the acquisition of 28% equity interest in Huajia. The amount of the second instalment of the consideration of RMB10.0 million is subject to the amount of distribution of profits or dividends before the completion date of the acquisition and the penalty arising from the land parcels owned by Guizhou Zunpeng, including land parcels in the aggregate area of 274,855.2 square meters with land use rights certificates having been obtained and an unused land with an aggregate area of 161,785.1 square metres (the “Unused Land”).

Such land parcels in the aggregate area of 274,855.2 square meters consist of:

- (i) the land parcel with an aggregate area of approximately 124,594.2 square metres, which has been built into production facilities of wine that in turn have been put into use since September 2019;

- (ii) the land parcel with an aggregate area of 81,038 square metres, the construction of the storage facilities and other relevant testing laboratories of which have been primarily completed, and have been put into use since September 2024; and
- (iii) the undeveloped land with an aggregate area of 69,223 square metres which, based on the latest development plan of Guizhou Zunpeng, is intended to be developed into expansion of wine production facilities and office after completion of the development of the Unused Land. No penalties have been imposed by the relevant authority due to the undeveloped land having been considered as idle for a time longer than permitted.

In respect of the Unused Land, the relevant land use right certificate was obtained in October 2024. On the other hand, it is intended that the Unused Land will be primarily developed into wine production facilities as well as an office and a cafeteria for workers. The preliminary design and the feasibility study report in respect of the development of the Unused Land have been completed and the approval procedures have commenced.

As no distribution of profits or dividends has been declared by Huajia before the completion date of the acquisition, nor that any penalty amount has been incurred, no consideration adjustment was necessary as at 31 December 2024.

### **Employees and Emoluments**

As at 31 December 2024, the Group had a total of 383 (2023: 348) employees in the PRC and Hong Kong which included management staff, engineers and technicians. For the year ended 31 December 2024, the Group's total expenses on the remuneration of employees were approximately RMB37.7 million (2023: approximately RMB59.2 million). The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the MPF Scheme (for Hong Kong employees), the contribution retirement benefit scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of their performance.

The Company adopted a share option scheme on 11 June 2020 for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. There was no share option outstanding under the share option scheme as at 31 December 2024 (2023: Nil).

## **PROSPECTS**

Economic slowdown and contraction of the consumer market adversely affected the Group's business for the year ended 31 December 2024. However, growth momentum is expected to accelerate in the near future, driven by the falling interest rates and a recovery in foreign demand.

For the Qing Ping Expressway, with the recovery and growth in the economic activities in Shenzhen, the traffic flow and the toll revenue are expected to grow steadily and the toll revenue is expected to become one of the major sources of steady cash inflow of the Group.

The business of trading liquor and spirits is expected to improve in the near future after the accumulated inventory in the distribution channel being digested. The Group is confident about the performance of this business segment. With the established marketing network and efficient distribution channel, the Group will continue to make effort in the brand building for Huamaojiu. More sales and marketing activities will be arranged in the future, such as wine tasting events and promotion conferences.

In order to raise the competitiveness of the Group, 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 centres through Guizhou Renhui. It will be developed into the major production and logistic base of the Group in the future. Construction was commenced and expected to be completed in 2025. The Group also intends to develop its own brand of liquor and spirits through Guizhou Renhuai.

In addition, the Group acquired 28% equity interest in Huajia, which holds 44.94% equity interest in Guizhou Zunpeng. With this strategic investment along the liquor and spirits supply chain in furtherance of the Group's liquor and spirits trading business, the Group is able to tap into the manufacturing side of the liquor and spirits supply chain.

With the experience of the Directors in successfully completing other PRC toll-expressway projects, and the connections and reputation established by them in the PRC, the Group will continue to tap and pursue opportunities which are consistent with its overall business strategies, and will aim to generate a satisfactory return on investment. In accordance with this strategy, the Group may pursue other infrastructure projects in the PRC whenever suitable opportunity arises. Apart from infrastructure projects, the Group may also consider continuing to develop and expand the liquor and spirits business including but not limited to acquisition of wine manufacturing businesses shall appropriate opportunities arise. Furthermore, the Group will also consider extending its operation to include some other prosperous businesses once favourable opportunity appears.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's entire issued share capital as required under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2024.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares for the year ended 31 December 2024.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2024, the Directors considered that the Company had complied with all the code provisions as set out in the CG Code.

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise interests of the shareholders of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2024.

## **REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE**

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules (the "Audit Committee") with written terms of reference in compliance with the CG Code. The Audit Committee is accountable to the Board and its primary duties include the review and supervision of the Group's financial reporting process and internal control measures. The Audit Committee comprises all three independent non-executive Directors, namely Mr. Chu Kin Wang, Peleus, Mr. Lam Hon Kuen and Mr. Hu Lie Ge. Mr. Chu Kin Wang, Peleus is the chairman of the Audit Committee and has professional qualification and experience in financial matters in compliance with the requirements of the Listing Rules.

The Audit Committee has met and discussed with the external auditor of the Company, Crowe (HK) CPA Limited, and has reviewed the accounting principles and practices adopted by the Group and the results of the Group for the year ended 31 December 2024. The Audit Committee considered that the consolidated results of the Group for the year ended 31 December 2024 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made. The external auditor of the Company, Crowe (HK) CPA Limited, has agreed that the financial figures in respect of the Group's annual results for the year ended 31 December 2024 contained in this announcement are consistent with the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2024.

## **FINAL DIVIDEND**

The Board does not recommend any final dividend payment for the year ended 31 December 2024.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of the Company will be held on 4 June 2025. Notice of the annual general meeting will be issued and dispatched to shareholders of the Company in due course. The Company's register of members will be closed from 30 May 2025 to 4 June 2025 (both days inclusive), during such period no transfer of the Shares will be registered. In order to qualify to attend and vote at the forthcoming annual general meeting, all transfers of Shares accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 29 May 2025.

## **PUBLICATION OF 2024 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is also published on the website of the Company ([www.huayu.com.hk](http://www.huayu.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the 2024 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

## **APPRECIATION**

I would like to take this opportunity to express thanks and gratitude on behalf of the Company to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers and bankers for their continuous support.

On behalf of the Board of  
**Huayu Expressway Group Limited**  
**Chan Yeung Nam**  
*Chairman*

Hong Kong, 27 March 2025

*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.*