# 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 ANNOUNCEMENT TO THE PROPOSED ACQUISITION OF 100% OF THE ISSUED SHARES OF THE TARGET COMPANY

Reference is made to the voluntary announcement of the Company dated 31 May 2026 in relation to the proposed acquisition of 100% of the issued shares of the Target Company (the "**Announcement**"). Unless otherwise defined, capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement.

The Board wishes to provide the following additional information in relation to the Group's expressway operation business and trading business of liquor and spirits:

### 1. EXPRESSWAY OPERATION BUSINESS

While the Group will no longer have any operation in the toll road industry upon the return of the Qing Ping Expressway to the PRC Government in 2026, the Group will continue to explore potential projects involving the construction, operation, management and maintenance of the expressway business.

In view of the return of the Qing Ping Expressway to the PRC Government in 2026, the Group has been exploring and considering other projects involving the operation, management and maintenance of other expressways in the PRC to ensure the continued development of the Group's core business. For example, the Company has been conducting assessments of the following 11 toll road projects in the provinces of Shanxi, Anhui, Jiangsu and Hubei:

- **Jiangsu Section of the Sihong – Bengbu Expressway, the Anhui Section of the S98 Quanjiao – Lukou Expressway, the Anhui Province S68 Jingde – Jixi Expressway, and the Wuhan Section (Phase II) of the G4223 Wuhan – Chongqing Expressway**

  The Company has carried out a preliminary assessment and evaluation of the above projects. After taking into account factors such as the scale of these projects and the level of investments required and the financial capability of the Group, the Company will continue to track the status of the projects (including the tender timelines) and carry out further evaluations to ascertain if it should participate in these projects; and

- **The realignment of National Highway G307 from Fenyang to the Shanxi – Shaanxi border in Shanxi Province, the bypass realignment of the Huozhou – Xiangfen section of National Highway G108 in Shanxi, the Yangcheng – Yuncheng section of the G5518 Jincheng – Tongguan Expressway in Shanxi, the Fanshi – Wutai Expressway in Shanxi, and the Fuyang section of the S04 Suqian – Suiping Expressway in Anhui, as well as the Jianchang – Songlingmen section of the Qinhuangdao – Shenyang Expressway**

  The Company has evaluated these projects after taking into account, among other factors, the investments (such as construction costs) which will be too high and exceed the Company's financing capability, the risks involved and/or the traffic volumes, and decided not to proceed with that as it will not make the investment paybacks.

## 2. LIQUOR AND SPIRITS TRADING BUSINESS

Our liquor and spirits trading business primarily involves the sale and distribution of Huamaojiu（華茅酒）, a famous liquor brand produced by Kweichow Moutai Group. We are the sole distributor of Huamaojiu（華茅酒）supplied by Kweichow Moutai Group, being the producer of Huamaojiu（華茅酒）.

For our trading of liquor and spirits business, we generate our revenue through the sale of Huamaojiu（華茅酒）to our customers, which comprise our sub-distributors (the "**Sub-distributors**") and end customers, such as authorised retailers and liquor-and-cigarette stores, at a sale price which is determined with reference to the cost of our purchases of the products from Kweichow Moutai Group (the "**Purchase Price**") plus a fixed mark-up over such Purchase Price. Our profit represents the difference between the sales price and the costs of sale, including the purchase cost of these products from the Kweichow Moutai Group.

We do not have any sales returns policy with our customers. On the other hand, we have a rebate policy which provides rebates to our Sub-distributors in the form of liquor products when they meet the relevant annual sales targets.

### 2.1 Key terms of the sole distributorship arrangement with Kweichow Moutai Group

We, through our subsidiary, Huayu Healthy Wine (Shenzhen) Co., Ltd., have entered into a yearly distributorship agreement dated 23 January 2025 (the "**Agreement**") with Kweichow Moutai Group for the distribution of Huamaojiu（華茅酒）by the Group in Mainland China.

The key terms of the Agreement are as follows:

- *Sole distribution* – We are appointed as the sole distributor for the distribution and sale of Huamaojiu（華茅酒）in Mainland China.

- *Term of the Agreement* – The Agreement is for a term of 12 months which is renewable on an annual basis subject to the negotiation of the parties.

- *Annual Purchase volume* – During the term of the Agreement, we must purchase 300 tonnes (or 637,200 units of 500 ml) of Huamaojiu（華茅酒）from Kweichow Moutai Group by 10 December during the term of the Agreement. The parties further agreed that Kweichow Moutai Group is entitled to adjust the type/volume of Huamaojiu（華茅酒）to be supplied by Huamaojiu（華茅酒）as well as the areas where we are allowed to distribute and sell Huamaojiu（華茅酒）based on, among others, its production schedules.

- *Delivery of products* – Kweichow Moutai Group will deliver liquor products directly to us and we will distribute and sell to our customers, including our Sub-distributors. The transport cost will be borne by Kweichow Moutai Group unless where a delay in the delivery of the products is caused by us and in which case, we will bear the costs incurred by Kweichow Moutai Group such as transport and warehouse costs.

  We will enter into contracts with our Sub-distributors and other customers which will place purchase orders with us and pay us directly for the products we supply. Upon confirmation of the purchase orders, we will deliver the products ordered by them. Our customers will generally bear the delivery and transport costs for the products we deliver to them.

- *Compliance by our sub-distributors and sale channels* – Our customers, including the Sub-distributors are not allowed to distribute or sell Huamaojiu（華茅酒）in areas not specified in our contract with them and shall price the products based on the contract terms agreed with them. If our customers breach the terms of our agreements with them, we have the right to repurchase of the products we sold to them by forfeiting any deposits they pay to us, cancelling any annual rebates which these customers are otherwise entitled to or terminating their status as the Group's Sub-distributors.

The Agreement had expired on 31 December 2025. Given that the overall liquor industry is currently in a period of adjustment considering the weak market demand and the fact that our inventory level of Huamaojiu（華茅酒）remains relatively high, we have not entered into a new distributorship agreement with Kweichow Moutai Group for 2026. Notwithstanding this, based on our discussion with Kweichow Moutai Group, we understand that Kweichow Moutai Group will continue to give us an exclusive right to distribute Huamaojiu（華茅酒）in 2026 in Mainland China. The parties will further assess whether to enter into a master distribution contract in 2026 taking into account the Group's actual sales of Huamaojiu（華茅酒）in 2026.

### 2.2 Reasons of a decline in the revenue and profit of the Group's liquor and spirits business

In the financial year 2025, the Group's revenue from the business segment of liquor and spirits products decreased significantly which led to a loss position and with a higher inventory level. At the same time, the Group has to continue to incur certain costs such as logistics, warehousing, marketing and promotion, personnel, channel maintenance and administrative management. This explains the reason why this business segment recorded an adjusted EBITDA loss in the fiscal year 2025. The above was mainly attributable to the following factors:

- ***Weak macroeconomic conditions and reduced consumption demand***

  The overall macroeconomic environment in the PRC remains challenging. This has generally resulted in a weaker consumer spending power. In view of the above, consumers' purchasing behavior has become more rational. This particularly affects the consumption of the mid-to-high-end and sauce-flavoured (Jiangxiang) liquor products and accordingly, the pricing premium of high-end and sauce-flavoured liquor products.

- ***Reduction in core consumption scenarios***

  Stricter regulatory requirements have resulted in a reduced entertainment activities in the PRC such as business banquets and alcohol consumption any public events. These developments have had a certain impact on some of the traditional core consumption of liquor products, especially the consumption at banquets and business events. This, together with the contraction of the consumer market, adversely affected the growth in the business of trading liquor and spirits during the Year, In particular, on-premise consumption demand for sauce-flavoured liquor products has decreased and this, in turn, has led to and have further reduced downstream customers' readiness to replenish their stocks on liquor products.

- ***Industry supply-demand imbalances and elevated social inventory***

  During the preceding up-cycle in the industry, the sauce-flavoured liquor market expanded rapidly, attracting substantial capital and channel resources and leading to quick increases in the industry production capacity and channel stocking. However, growth in end demand did not keep pace with the level of expansion of the production capacity of liquor products, resulting in a at relatively high level of inventory. Channel inventory backlogs have reduced distributors' and retailers' willingness to place additional orders.

- ***Significant decline in market prices***

  Driven by supply-demand imbalances, promotional activities by e-commerce platforms, and price-cutting and inventory clearance by certain market participants, the market price of some sauce-flavoured liquor products has decreased.

- ***Pressure on distribution channels***

  Distributors faced not only the high inventory level but also inverted pricing (i.e. the acquisition cost exceeds the sale price). The willingness of these distributors to place new purchase orders and to make payments decreased significantly. Slower channel sell-through and a longer cash collection cycle have directly affected our sales revenue and cash inflow. Meanwhile, traditional group-buying channels have also contracted to some extent. In addition, low-price online sales through e-commerce platforms have put pressure on the existing pricing structure and intensified conflicts among different channels.

## 2.3 Prospects of the liquor and spirits business

Notwithstanding that the challenging sale condition of liquor spirit and spirits business segment in the financial year 2025, our Directors expect that the business of trading liquor and spirits is expected to improve in the near future after the accumulated inventory in the distribution channel has been digested for the reasons set out below:

- ***Established brand recognition of Huamaojiu（華茅酒）***

  Notwithstanding the market correction throughout 2025, our Directors expect that with the established brand awareness of Huamaojiu（華茅酒）, the established marketing network and efficient distribution channels for Huamaojiu（華茅酒）as well as the stable supply sources, the Huamaojiu（華茅酒）is poised for a rebound once the excess market inventory is fully absorbed.

- ***Extensive distribution and sale channels***

  Through years of distribution of Huamaojiu（華茅酒）, we have established a network of distributors, authorised retail partners and corporate bulk purchase customers. This will facilitate our ongoing destocking efforts, sustained client relationship management and the revival of sales performance in the long run.

- ***Initiatives to improve inventory turnover and cash flow***

  We will further adjust our sales strategies, including adopting a more flexible pricing framework, expanding online sales channels, forging partnerships with chained liquor retailers and increasing bulk corporate sales with a view to improving our inventory turnover and enhancing cash collection efficiency.

- ***Upstream expansion to mitigate reliance on a single supplier***

  To increase the competitiveness and sustainability of liquor and spirits business and resolve the issue of supplier concentration, we have expanded our business of liquor and spirits to the upstream of the industry through our investment in winery, winemaking, warehousing and logistics, packaging and operation center through the Renhuai project in Guizhou Province, the PRC.

The construction work of the Renhuai project is nearly completed in that the trial production has been carried out and a formal production will commence soon. This investment provided us with an opportunity to expand our business of trading liquor and spirits to the upstream of the industry. Following the scheduled completion and phased commissioning of the Renhuai distillery, we intend to develop our own brand of liquor and spirits. Such initiatives will diversify our product mix and gradually reduce our dependence on the exclusive distribution of Huamaojiu（華茅酒）and reliance on a single supplier over time.

- ***Potential synergies exist between existing distribution channels and own brand products***

  We intend to leverage our client base and distribution network that we have established through our distribution and sale of Huamaojiu（華茅酒）to promote our own brand product, namely Huayujiu（華昱酒）, with a view to targeting to bulk purchase customers and corporate customers. Our Directors consider that this differentiated positioning strategy will be effective in insulating us from any homogeneous price competition against mass-market liquor products.

Accordingly, whilst our Directors maintain a prudent stance amid the on-going industry adjustment, inventory pressure and near-term operational challenges, our Directors believe that our liquor and spirits trading business is well-positioned for operational improvement in the foreseeable future, subject to the gradual clearance of our inventory, the stabilisation of the market prices, the on-schedule commissioning of the Renhuai's winery and operating centre, and the market acceptance of our own brand product.

**2.4 Business plan on the liquor and spirits trading business**

We intend to further develop our liquor and spirits trading business with a strategic focus on the sauce-flavoured liquor segment by adopting a dual-track business strategy i.e. continuing the distribution and sales of Huamaojiu（華茅酒）on the one hand and on the other hand, progressively launching our own brand product, namely Huayujiu（華昱酒）.

***Distribution of Huamaojiu（華茅酒）***

With regard to the sale of Huamaojiu（華茅酒）, we propose to implement the following measures:

- *Strengthen co-operation with traditional distributors*

  We will continue to maintain and strengthen our partnership with provincial and municipal-level distributors, authorised retailers and tobacco & liquor stores. Where appropriate, more flexible pricing and sales policies will be introduced to boost channel sell-through and accelerate inventory turnover.

- *Optimise pricing strategy*

  In light of the prevailing market conditions, we will prudently adjust the wholesale price and distribution policies to enhance the market competitiveness of our products, rebuild confidence among partners and facilitate inventory clearance.

- *Expand online sales channels*

  We plan to increase the development of online sales channels, covering e-commerce platforms, livestream sales, social media marketing and influencer promotion so as to broaden our customer reach and capitalise on the growing trend of online consumption of liquor and spirits.

- *Establish cooperation with chained liquor retailers*

  We will explore collaboration opportunities with domestic chained liquor operators through bulk procurement, exclusive underwriting or dedicated sales arrangements to speed up inventory liquidation and improve cash collection.

- *Strengthen bulk corporate sales*

  We will keep expanding our pool of bulk purchase customers, including corporate entities, associations, chambers of commerce, alumni associations and other social organisations. These customers generally maintain relatively steady demand for business receptions, gift-giving, member events and daily consumption scenarios.

***Distribution and sale of our own brand liquor products – Huayujiu（華昱酒）***

For our own brand liquor, namely Huayujiu（華昱酒）, we aim to build a differentiated operational model distinct from the conventional distribution framework. The key business plans are set out below:

- *Target customer groups*

  We will primarily target bulk purchase customers, corporate customers, high-net-worth individuals, enthusiasts of sauce-flavoured liquor products and customers with demands for cellaring, jar-sealing, customised liquor and cultural-themed liquor products.

- *Sales model*

  Cellared liquor, jar-sealed liquor and customised liquor will serve as the core sales formats, with sales conducted on a per-cellar, per-jar or per-customised batch basis to heighten customer engagement and product differentiation.

- *Product positioning*

  Huayujiu (華昱酒) will be positioned as a sauce-flavoured liquor endowed with cultural connotations, premium quality and immersive experiential value. Instead of engaging in pure price competition against homogeneous mainstream products, we will place greater emphasis on product quality, cultural heritage, customer participation and brand experience.

- *Customer experience*

  We intend to invite our customers to take part in selected procedures including liquor brewing, blending, storage and tasting, so as to strengthen customer stickiness and brand loyalty.

- *Integration of liquor tourism and experience centres*

  We plan to transform the distillery from a mere production facility into an integrated hub encompassing liquor culture exhibition, liquor-themed tourism, hands-on brewing experience and customer reception, underpinning the sales of customised liquor, cellared liquor and membership-based services.

  Through the above dual-track strategy, we will seek to consolidate and expand our traditional sales channels through Huamaojiu (華茅酒) and at the same time, tap into niche differentiated markets with our own brand product, namely Huayujiu (華昱酒), so as to have a new revenue stream for our liquor and spirits business segment.

### 2.5 Our winery and operating centre in Renhuai

Our winery and operating centre is situated in Maotai Town, Renhuai City, Guizhou Province which is scheduled to be fully completed in or around September 2026. It is equipped with 58 fermentation pits in the existing facility and 336 newly-built fermentation pits in the new facility which have a total designed annual base liquor brewing capacity of around 3,000 tonnes. The 46 fermentation pits in the existing facility have been in operation since 2022 and the remaining 12 fermentation pits in the existing facility have not commenced operations. On the other hand, the 84 fermentation pits in the new facility have commenced operations.

In view of the prevailing market condition of the liquor industry in the PRC and our current inventory levels, cash flow position, we have decided to temporarily slow down the construction progress of the operation centre. The Company will reassess the progress of the construction plan for the operation centre at an appropriate time after taking into account the market/industry conditions and the Group's capital position and actual business needs.

We expect that we will primarily focus on the production of base liquor（基酒）at the Renhuai's winery and operating centre above and will proceed with the blending and production of finished liquor under our own brand at an appropriate stage. We plan to allocate 2,000 tonnes of the production capacity of the Renhuai's winery and operating centre for the blending of base liquor and the production of finished liquor with the remaining production capability of 1,000 tonnes for warehousing, ageing and future new product development.

Our finished liquor will be mainly sold in jar-packed, cellared and customised formats, together with online sales channels.

Our own brand of liquor will comprise the following:

- ***Huayujiu（華昱酒）• Cellar Master Series（藏酒師系列）***

  This series primarily targets customers who are members and other customisation customers, featuring jar-packed, cellared and personalised liquor products.

- ***Huayujiu（華昱酒）• Enjoyment Master Series（享酒師系列）***

  This series primarily targets consumption at business receptions and private consumption as well giving the products as gifts

- ***Huayujiu（華昱酒）• Taster Master Series（品酒師系列）***

  This series primarily targets younger consumer groups and online customers.

We expect that the Renhuai's winery and operating centre will have the following synergies with Huamaojiu（華茅酒）distributed by the Group:

- we have developed a network of distributors, retailers and bulk purchase customers (i.e. corporate entities, associations, chambers of commerce, alumni associations and other social organisations) through the distribution of Huamaojiu（華茅酒）. These distribution channels can help promote our own brand Huayujiu（華昱酒）;

- our current liquor and spirits business is highly reliant on Huamaojiu（華茅酒）and supplies from Kweichow Moutai Group. With the launch of Huayujiu（華昱酒）and the commissioning of the Renhuai's winery and operating centre, we expect to gradually diversify our product range and reduce long-term reliance on a single supplier and a single distributed product;

- in contrast to pure distribution business, our own brand products will enable us to engage in more segments along the value chain of liquor, including production, ageing storage, blending, brand building, packaging, sales and customer experience management. Subject to market recognition of the products and effective cost control, this is expected to improve our profitability liquor and spirits business in the long run; and

- we plan to position Huayujiu（華昱酒）as a cultural, experience-oriented and customised sauce-flavoured liquor product with a strategic focus on cellared liquor, jar-sealing services, membership programmes and liquor-themed tourism experiences. This strategy is designed to avoid direct price competition with mass-market liquor products.

Accordingly, we envisage that our winery and operating centre in Renhuai will serve as the upstream production base for our liquor and spirits business that will facilitate our gradual transformation from a dedicated distributor of Huamaojiu（華茅酒）into an integrated liquor operator with both distribution capabilities and our own brand development and production capacities.

Given that our rights and obligations relating to the construction, operation, management and maintenance of Qing Ping Expressway will expire in 2026, we expect that our liquor and spirits business will become our main operating businesses after 2026.

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

Hong Kong, 22 July 2026

*As at the date of this announcement, the executive Directors are Mr. Chan Yeung Nam, Mr. Fu Jie Pie, Ms. Liu Bao Hua and Mr. Zhang Tinghui; and the independent non-executive Directors are Mr. Lam Hon Kuen, Mr. Chu Kin Wang, Peleus and Mr. Hu Lie Ge.*