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ZJLD

ZJLD Group Inc

珍酒李渡集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6979)

NON-EXERCISE OF RIGHT OF FIRST REFUSAL

Reference is made to the prospectus of ZJLD Group Inc (the “**Company**”) dated April 17, 2023 (the “**Prospectus**”). Unless otherwise defined herein, capitalized terms used herein shall have the same meanings as those defined in the Prospectus.

As disclosed in the Prospectus, Mr. Wu Xiangdong (“**Mr. Wu**”), a Controlling Shareholder, the chairman of the Board and an executive Director, and Mr. Yan Tao, an executive Director, hold 90% and 10%, respectively, in the Huaze Group, which indirectly controls the Excluded Baijiu Business through its subsidiaries Jindong Group and Yunnan Huapeng. The Controlling Shareholders granted the Company the Right of First Refusal, under the Deed of Non-competition, to acquire the interests in the Excluded Baijiu Business held by the Controlling Shareholders or any of their respective close associates when such interests are intended to be sold to any third party. According to the Deed of Non-competition, decisions as to whether to exercise the Right of First Refusal shall be subject to the independent non-executive Directors.

On August 15, 2023, the Controlling Shareholders notified the Company that Jindong Group and Yunnan Huapeng intend to sell their equity interest in the companies engaged in the Excluded Baijiu Business (the “**Proposed Sale**”) to a third party buyer (the “**Buyer**”). As of the date of this announcement, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Buyer is not a connected person of the Company within the meaning of the Listing Rules. Following the Proposed Sale, (i) Jindong Group shall retain a minority interest of less than 10% in the Excluded Baijiu Business that it holds prior to the Proposed Sale; and (ii) Yunnan Huapeng shall cease to have any interest in the Excluded Baijiu Business.

A committee comprising all the independent non-executive Directors (the “**INED Committee**”) was formed to consider whether to exercise the Right of First Refusal with respect to the Proposed Sale. Having considered, among others, the following key factors, the INED Committee considers that it is not in the best interests of the Company and its Shareholders as a whole to exercise the Right of First Refusal and did not approve the exercise of such right:

- (a) the Group focuses on premium and above baijiu products, which generated 65.4% of its revenue in 2022, whereas the Excluded Baijiu Business focuses on low-end baijiu products. As there is clear differentiation in pricing, positioning and targeted consuming scenarios for premium baijiu brands and low-end baijiu brands, it is necessary to manage them with significantly varied marketing efforts and business strategy. Low-end baijiu products are not within the current business priority or strategic direction of the development of the Group;
- (b) the Group has a nationwide distribution network, whereas the Excluded Baijiu Business mainly focuses on regional distribution networks that operate on a much smaller scale; and
- (c) the business prospects and profitability of the Excluded Baijiu Business are not expected to improve materially in the near future, having considered, among others, its historical performance as outlined below and latest business performance. The acquisition of the Excluded Baijiu Business would therefore be expected to have an adverse effect on the overall financial performance of the Group.

For the year ended December 31
2020 2021 2022
(RMB '000, except for %) ⁽¹⁾

Revenue	840,996	1,270,081	1,347,819
Net Profit/(Loss)	(33,146)	24,296	20,313
Net Profit Margin	N/M	1.9%	1.5%

Note:

- (1) Financial information of the Excluded Baijiu Business is based on their respective management accounts prepared under PRC Generally Accepted Accounting Principles instead of International Financial Reporting Standards, and as set out in the Prospectus.

Accordingly, the Company has informed the Controlling Shareholders of its decision not to exercise the Right of First Refusal.

By Order of the Board
ZJLD Group Inc
Mr. NG Kwong Chue Paul
Executive Director and Company Secretary

Hong Kong, August 23, 2023

As at the date of this announcement, the Board comprises Mr. Wu Xiangdong, Mr. Yan Tao, Ms. Zhu Lin, Mr. Luo Yonghong and Mr. Ng Kwong Chue Paul, as executive Directors; Mr. Sun Zheng as non-executive Director; and Mr. Yung Tse Kwong Steven, Mr. Li Dong and Ms. Yan Jisheng, as independent non-executive Directors.