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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 2023

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 2023, together with comparative figures for the year ended 31 December 2022 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
<b>Continuing operations</b>			
Revenue	4	407,104	409,886
Cost of sales		(292,090)	(290,201)
<b>Gross profit</b>		<b>115,014</b>	119,685
Other revenue	5	4,333	3,367
Other net loss	5	(4,337)	(2,687)
Administrative expenses		(58,903)	(38,667)
Selling and distribution costs		(15,377)	(15,872)
<b>Profit from operations</b>		<b>40,730</b>	65,826
Finance costs	6(a)	(1,864)	(1,533)
Share of profits less losses of associates		226	4,203
<b>Profit before taxation</b>	6	<b>39,092</b>	68,496
Income tax	7	(22,154)	(19,297)
<b>Profit from continuing operations</b>		<b>16,938</b>	49,199
<b>Discontinued Sui-Yue Expressway operation</b>			
Profit from discontinued Sui-Yue Expressway operation, net of tax	8	342,400	37,715
<b>Profit for the year</b>		<b>359,338</b>	86,914

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
<b>Profit attributable to:</b>			
Equity shareholders of the Company			
– continuing operations		4,340	26,399
– discontinued Sui-Yue Expressway operation		325,092	22,629
		<u>329,432</u>	<u>49,028</u>
Non-controlling interests			
– continuing operations		12,598	22,800
– discontinued Sui-Yue Expressway operation		17,308	15,086
		<u>29,906</u>	<u>37,886</u>
Profit for the year		<u>359,338</u>	<u>86,914</u>
<b>Basic earnings per share (RMB Cents)</b>			
	9		
– continuing operations		1.05	6.40
– discontinued Sui-Yue Expressway operation		78.79	5.48
		<u>79.84</u>	<u>11.88</u>
<b>Diluted earnings per share (RMB Cents)</b>			
	9		
– continuing operations		1.05	6.40
– discontinued Sui-Yue Expressway operation		78.79	5.48
		<u>79.84</u>	<u>11.88</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Profit for the year</b>	<b>359,338</b>	86,914
<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	(7)	(3,444)
<b>Total comprehensive income for the year</b>	<b>359,331</b>	<b>83,470</b>
<b>Attributable to:</b>		
Equity shareholders of the Company		
– continuing operations	4,333	22,955
– discontinued Sui-Yue Expressway operation	325,092	22,629
	329,425	45,584
Non-controlling interests		
– continuing operations	12,598	22,800
– discontinued Sui-Yue Expressway operation	17,308	15,086
	29,906	37,886
<b>Total comprehensive income for the year</b>	<b>359,331</b>	<b>83,470</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	31 December 2023	31 December 2022
Note	RMB'000	RMB'000
<b>Non-current assets</b>		
Property, plant and equipment	211,164	7,094
Intangible asset – service concession arrangement	80,197	115,091
Interests in associates	180,563	125,883
Deferred tax assets	162	1,382
Contingent consideration receivables	20,011	–
Prepayments	37,120	–
	529,217	249,450
	529,217	249,450
<b>Current assets</b>		
Inventories	256,628	159,933
Financial assets FVPL	14,242	11,012
Value added tax receivables	11,281	1,249
	25,523	12,261
Trade and other receivables	7,066	7,592
Prepayments	23,273	47,886
Amounts due from related parties	29,774	21,214
Contingent consideration receivables	64,029	–
Cash and cash equivalents	313,720	205,659
Assets of the disposal group held for sale	–	1,251,957
	720,013	1,706,502
	720,013	1,706,502
<b>Current liabilities</b>		
Accruals and other payables	29,842	24,694
Amounts due to related parties	2,585	4,086
Contract liabilities	77,554	37,936
Short-term bank loan	–	50,000
Lease liabilities	899	1,387
Current taxation	13,768	1,983
Amount due to the controlling shareholder of the Company	–	91,091
Liabilities directly associated with the disposal group held for sale	–	941,482
	124,648	1,152,659
	124,648	1,152,659
<b>Net current assets</b>	595,365	553,843
<b>Total assets less current liabilities</b>	1,124,582	803,293

	<b>31 December 2023</b>	31 December 2022
<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	<u>560</u>	<u>263</u>
<b>NET ASSETS</b>	<b><u>1,124,022</u></b>	<b><u>803,030</u></b>
<b>CAPITAL AND RESERVES</b>		
Share capital	3,634	3,634
Reserves	<u>800,192</u>	<u>514,534</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>803,826</b>	518,168
<b>Non-controlling interests</b>	<u>320,196</u>	<u>284,862</u>
<b>TOTAL EQUITY</b>	<b><u>1,124,022</u></b>	<b><u>803,030</u></b>

## 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. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong 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 HKFRSs 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 2023 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.

Non-current assets and disposal group held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs 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

#### (a) New and amended HKFRSs

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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 HKFRSs are discussed below:

#### *HKFRS 17, Insurance contracts*

HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of HKFRS 17.

#### *Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### *Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

*Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

*Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules*

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”) (income tax arising from such tax laws is hereafter referred to as “Pillar Two income taxes”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application. After assessment, the amendments does not have a material impact on these financial statements.



#### 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).

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

	2023 <i>RMB'000</i>	2022 <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	77,918	68,806
– Sales of liquor and spirits	<u>329,186</u>	<u>341,080</u>
	407,104	409,886
<b>Discontinued Sui-Yue Expressway operation:</b>		
– Toll income	<u>69,669</u>	<u>176,844</u>
	<u>476,773</u>	<u>586,730</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.

**(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; and
- 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 2023 and 2022 is set out below.

	For the year ended 31 December 2023				
	Continuing operations			Discontinued Sui-Yue Expressway operation	Total
	Qing Ping Expressway	Liquor and spirits	Subtotal	Sui-Yue Expressway	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	<u>77,918</u>	<u>329,186</u>	<u>407,104</u>	<u>69,669</u>	<u>476,773</u>
<b>Reportable segment profit (adjusted EBITDA)</b>	<u>35,891</u>	<u>77,133</u>	<u>113,024</u>	<u>386,169</u>	<u>499,193</u>
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)
	For the year ended 31 December 2022				
	Continuing operations			Discontinued Sui-Yue Expressway operation	Total
	Qing Ping Expressway	Liquor and spirits	Subtotal	Sui-Yue Expressway	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	<u>68,806</u>	<u>341,080</u>	<u>409,886</u>	<u>176,844</u>	<u>586,730</u>
<b>Reportable segment profit (adjusted EBITDA)</b>	<u>25,163</u>	<u>78,237</u>	<u>103,400</u>	<u>136,187</u>	<u>239,587</u>
Interest income from bank deposits	110	1,331	1,441	804	2,245
Interest expense	-	(1,486)	(1,486)	(43,139)	(44,625)
Depreciation and amortisation for the year	(17,914)	(2,277)	(20,191)	(42,853)	(63,044)

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Revenue</b>		
Reportable segment revenue	476,773	586,730
Less: segment revenue from discontinued Sui-Yue Expressway operation	<u>(69,669)</u>	<u>(176,844)</u>
Consolidated revenue ( <i>Note 3(a)</i> )	<u><b>407,104</b></u>	<u>409,886</u>
<b>Profit</b>		
Reportable segment profit (adjusted EBITDA)	499,193	239,587
Less: segment profit from discontinued Sui-Yue Expressway operation	<u>(386,169)</u>	<u>(136,187)</u>
Reportable segment profit from continuing operations	<b>113,024</b>	103,400
Other revenue	2,929	787
Other net income/(loss)	566	(3,890)
Depreciation and amortisation	(38,306)	(20,191)
Finance costs	(1,849)	(1,486)
Unallocated head office and corporate expenses	<u>(37,272)</u>	<u>(10,124)</u>
Consolidated profit before taxation	<u><b>39,092</b></u>	<u>68,496</u>

## 5. OTHER REVENUE AND NET LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Other revenue</b>		
<b>Continuing operations:</b>		
Billboard rental income	821	1,139
Interest income from bank deposits	2,843	2,016
Income from wealth management product	669	212
	<u>4,333</u>	<u>3,367</u>
<b>Discontinued Sui-Yue Expressway operation:</b>		
Billboard rental income	98	394
Interest income from bank deposits	625	804
	<u>723</u>	<u>1,198</u>
	<u>5,056</u>	<u>4,565</u>
<b>Other net (loss)/income</b>		
<b>Continuing operations:</b>		
Net foreign exchange loss	(580)	(3,890)
Change in fair value of contingent consideration receivables	(3,604)	–
Loss on disposal of property, plant and equipment	(23)	(432)
Others	(130)	1,635
	<u>(4,337)</u>	<u>(2,687)</u>
<b>Discontinued Sui-Yue Expressway operation:</b>		
Reversal of compensation/(provision of compensation) for litigation	5,834	(9,000)
Net foreign exchange gain/(loss)	66	(131)
Others	257	473
	<u>6,157</u>	<u>(8,658)</u>
	<u>1,820</u>	<u>(11,345)</u>

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations:</b>		
Interest on bank loans	1,818	1,416
Interest on lease liabilities	46	117
	<u>1,864</u>	<u>1,533</u>
<b>Discontinued Sui-Yue Expressway operation:</b>		
Interest on bank loans and other borrowing	13,835	43,139
	<u>15,699</u>	<u>44,672</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations:</b>		
Salaries, wages and other benefits	52,195	34,571
Contributions to defined contribution retirement plans	2,688	2,506
Share-based payment expenses	–	1,296
	<u>54,883</u>	<u>38,373</u>
<b>Discontinued Sui-Yue Expressway operation:</b>		
Salaries, wages and other benefits	3,723	13,559
Contributions to defined contribution retirement plans	628	1,765
	<u>4,351</u>	<u>15,324</u>
	<u>59,234</u>	<u>53,697</u>

(c) **Other items**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations</b>		
Depreciation charge		
– owned property, plant and equipment	1,472	1,910
– right-of-use assets	2,606	1,550
Amortisation		
– Qing Ping Expressway	34,894	17,753
Cost of inventories	222,915	235,491
<b>Discontinued Sui-Yue Expressway operation:</b>		
Depreciation charge		
– owned property, plant and equipment	–	3,348
Amortisation		
– Sui-Yue Expressway	–	39,505

**7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Continuing operations</b>		
Current tax – PRC Corporate Income tax	20,934	19,362
Deferred tax		
– Origination and reversal of temporary differences	1,220	(65)
	<u>22,154</u>	<u>19,297</u>
<b>Discontinued Sui-Yue Expressway operation:</b>		
Current tax – PRC corporate income tax	6,028	12,761
Deferred tax		
– Origination and reversal of temporary differences	3,452	523
Withholding tax on gain on sale of discontinued Sui-Yue Expressway operation	21,177	–
	<u>30,657</u>	<u>13,284</u>

- (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 2023 and 2022.
- (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% (2022: 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 Adjustment”) in the sale and purchase agreement (“the Disposal”). The Disposal was completed on 25 April 2023 (“Completion Date”).

The results of the discontinued Sui-Yue Expressway operation for the period from 1 January 2023 to Completion Date and the year ended 31 December 2022 are as follows:

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

	Period from 1 January 2023 to Completion Date <i>RMB'000</i>	Year ended 31 December 2022 <i>RMB'000</i>
<b>Discontinued Sui-Yue Expressway operation</b>		
<b>Revenue</b>	<b>69,669</b>	176,844
Cost of sales	<u>(6,228)</u>	<u>(61,019)</u>
<b>Gross profit</b>	<b>63,441</b>	115,825
Other revenue	723	1,198
Other net (loss)/income	6,157	(8,658)
Administrative expenses	<u>(3,736)</u>	<u>(14,227)</u>
<b>Profit from operation</b>	<b>66,585</b>	94,138
Finance costs	<u>(13,835)</u>	<u>(43,139)</u>
<b>Profit before taxation</b>	<b>52,750</b>	50,999
Income tax	<u>(9,480)</u>	<u>(13,284)</u>
<b>Profit for the period/year</b>	<b>43,270</b>	37,715
Gain on disposal of discontinued Sui-Yue Expressway operation	<b>320,307</b>	–
Withholding tax on gain on sale of discontinued Sui-Yue Expressway operation	<u>(21,177)</u>	–
Profit from discontinued Sui-Yue Expressway operation for the period/year	<u><b>342,400</b></u>	<u>37,715</u>

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

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

#### (i) Profit attributable to ordinary shareholders of the Company (basic)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
From continuing operations	4,340	26,399
From discontinued Sui-Yue Expressway operation	325,092	22,629
	<u>329,432</u>	<u>49,028</u>
Profit attributable to ordinary shareholders of the Company	<u>329,432</u>	<u>49,028</u>

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

	2023 <i>'000</i>	2022 <i>'000</i>
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 (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2023.

The diluted earnings per share is equivalent to the basic (loss)/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. INTERESTS IN ASSOCIATES

During the year ended 31 December 2022, the Group altogether acquired 30% equity interests in Guizhou Renhuai Huayu Wine Co., Ltd. (“Guizhou Renhuai”). During the year ended 31 December 2023, the Group further acquired 21% equity interests in Guizhou Renhuai at a cash consideration of RMB1,000. Since then the Guizhou Renhuai became an indirect non-wholly subsidiary of the Company. The Group is required to pay up the registered capital of RMB255,000,000 to Guizhou Renhuai in accordance with the percentage of its equity interests in Guizhou Renhuai by 1 January 2050. Up to 31 December 2023, the Group has injected RMB255,000,000 to Guizhou Renhuai.

During the year ended 31 December 2023, the Group acquired 28% equity interests in Huajia Winery at a total consideration of RMB140,000,000. Upon completion of the acquisition on 1 December 2023, Huajia Winery became an associate of the Group.

## 11. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables ( <i>note (i)</i> )	2,303	1,007
Other receivables	4,763	6,585
	<u>7,066</u>	<u>7,592</u>

- (i) Trade receivables represent toll revenue receivables from toll road operation. At 31 December 2023, 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

In 2023, thanks to the successful prevention and control of the COVID-19 pandemic and the domestic recovery of economic and social activities, the Group maintained its level of business. For the year ended 31 December 2023, the total revenue of the Group was about RMB407.1 million and the profit for the year from the continuing operations was about RMB16.9 million.

### **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 had 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.

### **REVENUE**

For the year ended 31 December 2023, the Group recorded revenue of approximately RMB407.1 million, decreased by about 0.7% from that of approximately RMB409.9 million for the year ended 31 December 2022.

The toll revenue received from the First Phase of Qing Ping Expressway (the “Qing Ping Expressway”) was about RMB77.9 million for the year ended 31 December 2023, increased by about 13.2% from about RMB68.8 million for the year ended 31 December 2022. The traffic flow of the Qing Ping Expressway was about 24.5 million vehicles, increased by about 17.2% from that of about 20.9 million vehicles for the year ended 31 December 2022. The traffic flow returned to the normal level after the COVID-19 pandemic.

For the sales of liquor and spirits, the total revenue was about RMB329.2 million for the year ended 31 December 2023, decreased by about 3.5% from that of about RMB341.1 million for the year ended 31 December 2022. During the year, the weak economic growth and reduced entertainment activities affected the demand of the liquor and spirits. Huamaojiu was still the main brand of liquor sold by the Group during the year ended 31 December 2023, accounting for about 82.9% of the total revenue of the segment of business. In addition, the Group also sold other brands of liquor during the year.

### **COST AND GROSS PROFIT**

The Group had a gross profit of about RMB115.0 million for the year ended 31 December 2023, decreased by about 3.9% from about RMB119.7 million for the year ended 31 December 2022. The decrease in gross profit was mainly due to the decrease in the total revenue during the year. The gross profit ratio was about 28.3% for the year ended 31 December 2023, decreased from about 29.2% for the year ended 31 December 2022.

For the Qing Ping Expressway, the cost of sales was about RMB69.2 million and the gross profit ratio was about 11.2% for the year ended 31 December 2023. The decrease in the gross profit ratio of the Qing Ping Expressway from about 20.5% for the year ended 31 December 2022 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 RMB222.9 million and its gross profit ratio was about 32.3% for the year ended 31 December 2023. There was no material fluctuation in the gross profit ratio from about 31.0% for the year ended 31 December 2022.

## **OTHER REVENUE AND OTHER NET (LOSS)/INCOME**

The Group recorded other revenue of approximately RMB4.3 million and RMB3.4 million for the years ended 31 December 2023 and 2022 respectively. In addition, the other net loss for the Group was about RMB4.3 million for the year ended 31 December 2023 and about RMB2.7 million for the year ended 31 December 2022. 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 during the years. Included in the other net loss for the year ended 31 December 2023, there was an amount of about RMB3.6 million in relation to the change in fair value of contingent consideration receivables.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses for the year ended 31 December 2023 were approximately RMB58.9 million, increased by about 52.3% from approximately RMB38.7 million for the year ended 31 December 2022. The increase was mainly due to the one-off special bonus paid to some senior management staff after the completion of the Disposal during the year and the increase in amortisation relating to the Qing Ping Expressway.

## **SELLING AND DISTRIBUTION COSTS**

The Group recorded selling and distribution costs of about RMB15.4 million, including advertising fee and staff salary for the year ended 31 December 2023, decreased by about 3.1% from about RMB15.9 million for the year ended 31 December 2022. The amount was mainly incurred for the liquor and spirits trading business.

## **FINANCE COSTS**

For the year ended 31 December 2023, the finance costs of the Group were about RMB1.9 million, increased by about 26.7% from approximately RMB1.5 million for the year ended 31 December 2022. The amount was mainly paid for the short term banking facility provided for the liquor and spirits trading business during the year.

## **PROFIT FOR THE YEAR**

For the year ended 31 December 2023, the Group recorded profit for the year of about RMB359.3 million, increased significantly by about 313.4% from about RMB86.9 million for the year ended 31 December 2022. The increase of the profit for the year was mainly attributed by the significant gain on disposal of discontinued Sui-Yue Expressway operation of about RMB320.3 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the year ended 31 December 2023, the Group financed its operations and capital expenditures via internal resources of the Company, borrowings and bank loans. As at 31 December 2023, the Group has no bank loan outstanding (2022: approximately RMB50.0 million). The total cash and cash equivalents, including bank deposits and cash on hand amounted to approximately RMB313.7 million (2022: approximately RMB205.7 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.

The Group's borrowings were mainly arranged on a floating rate basis. During the year ended 31 December 2023, 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 2023, the intangible asset relating to service concession arrangement of about RMB80.2 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 2023, 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 2023, none of the Group's assets were pledged.

## **CAPITAL COMMITMENTS**

As at 31 December 2023, there was no capital commitment (2022: approximately RMB63.4 million for the investment in an associated company) outstanding for the Group.

## **BUSINESS REVIEW**

### **Qing Ping Expressway**

After the COVID-19 pandemic, the traffic flow of the Qing Ping Expressway returned to normal. For the year ended 31 December 2023, the total toll revenue of the Qing Ping Expressway was about RMB77.9 million, increased by about 13.2% from about RMB68.8 million for the year ended 31 December 2022. The average traffic flow for the year ended 31 December 2023 was about 2.0 million vehicles per month, increased by about 17.6% from about 1.7 million vehicles per month for the year ended 31 December 2022. Average toll for the year ended 31 December 2023 was about RMB3.2 per vehicle, which is nearly the same for the year ended 31 December 2022.

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

Even though there was a successful control over the COVID-19 pandemic, the weak economic growth and reduced entertainment activities adversely affected the growth in the business of liquor and spirits during the year ended 31 December 2023. The Group recorded revenue of trading of liquor and spirits of approximately RMB329.2 million, decreased by about 3.5% from approximately RMB341.1 million for the year ended 31 December 2022. For the year ended 31 December 2023, segment adjusted EBITDA also dropped by about 1.4% to about RMB77.1 million.

### **Disposal of 60% Equity Interest in Daoyue**

On 1 December 2022, the Group entered into a sale and purchase agreement with NWS, a minority shareholder who owned 40% equity interest in Daoyue. Pursuant to the sale and purchase agreement, the Group agreed to sell 60% equity interest it held in Daoyue at a consideration of RMB555.7 million, subject to adjustments. The Disposal was completed on 25 April 2023. Upon the completion of the Disposal, the Group recognised a gain on disposal of about RMB320.3 million and received a substantial amount of consideration, which improved the cash position of the Group. The Disposal also provides an opportunity to the Group to unlock the Group's investment amid the recent uncertain economic environment in the PRC.



## **Special Interim Dividend**

The Group declared a special interim dividend of HK\$0.121 per share to the shareholders of the Company on 2 March 2023 (and later updated on 22 March 2023 and 20 April 2023 respectively) after considering the business, financial and cashflow position of the Group. The special interim dividend was paid on 18 May 2023.

## **Acquisition of 21% Equity Interest in Guizhou Renhuai Huayu Wine Co., Ltd. (“Guizhou Renhuai”)**

On 16 June 2023, the Group entered into an equity transfer agreement to acquire 21% equity interest in Guizhou Renhuai. The total cost of the acquisition, including the consideration and capital contribution, is RMB105,001,000. Upon the completion on 31 August 2023, together with the 30% equity interests owned by the Group, the Group held 51% equity interest in Guizhou Renhuai, which in turn became an indirect non-wholly owned subsidiary of the Company. Thereafter, the financial results of Guizhou Renhuai are consolidated into the financial statements of the Group.

Guizhou Renhuai is a company established in the PRC and is mainly engaged in the business of winemaking and other related business. Guizhou Renhuai owns three pieces of land, collectively covering not less than 150,000 square meters, which are located 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 centre comprising wine storage and packaging, office and carpark. The construction of the abovementioned winery and operating centre commenced in June 2023. This acquisition provided the Group with an opportunity to expand its business of liquor and spirits to the upstream of the industry.

## **Acquisition of 28% Equity Interest in Huajia Winery (Shenzhen) Co., Ltd. (“Huajia”)**

On 29 June 2023, the Group entered into an equity transfer agreement and further on 27 September 2023, entered into a supplemental agreement to acquire 28% equity interest in Huajia at a consideration of about RMB140.0 million, subject to adjustments. Huajia is a company established in the PRC and is principally engaged in trading of liquor and spirits and investment holding business in the PRC. Huajia currently holds 44.94% equity interest in the Guizhou Zunpeng Winery Co., Ltd. (“Guizhou Zunpeng”). Upon completion on 1 December 2023, Huajia became an associated company of the Group and the results of the company is incorporated into the Group by equity method.

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 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.



## **Employees and Emoluments**

As at 31 December 2023, the Group had a total of 348 (2022: 457) employees in the PRC and Hong Kong which included management staff, engineers and technicians. For the year ended 31 December 2023, the Group's total expenses on the remuneration of employees were approximately RMB59.2 million (2022: approximately RMB53.7 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 2023 (2022: Nil).

## **PROSPECTS**

With the successful prevention and control of the COVID-19 pandemic and the domestic recovery of economic and social activities, the operations of the Group returned to normal for the year ended 31 December 2023.

For the Qing Ping Expressway, with the recovery and growth in the economic activities in Shenzhen during the year ended 31 December 2023, the traffic flow and the toll revenue increased by more than 10% compared to the year ended 31 December 2022. This segment of business continues to be one of the cash generators of the Group.

On the other hand, the business of trading of liquor and spirits was affected by the weak economic growth and reduced entertainment activities in the PRC. The revenue and profit from this segment was slightly decreased compared to the previous year. Since Huamaojiu is one of the famous brands of Chinese liquors in the PRC, the Group is full of confidence about the performance of this business segment in the future. The Group will continue its effort in improving its marketing network and the efficiency of the distribution channel. More sales and marketing activities will be arranged in the future, such as the wine tasting events and promotion conference.

After the realisation of 60% equity interest in the Sui-Yue Expressway, there was a substantial cash inflow of more than RMB400 million. This amount will significantly improve the liquidity and cash flow of the Group. In addition, the disposal of the Sui-Yue Expressway will significantly reduce the gearing of the Group and increase its sustainability, especially in the high interest rate environment.

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. During the year, the Group acquired a further 21% equity interest in Guizhou Renhuai and the Group in total owns 51% equity interest in

Guizhou Renhuai. It will be developed into the major production and logistic base of the Group in the future. 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 (the "Shares") 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 2023.

#### **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 2023.

#### **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 2023, 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 2023.

## **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 2023. The Audit Committee considered that the consolidated results of the Group for the year ended 31 December 2023 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 2023 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 2023.

## **FINAL DIVIDEND**

The Board does not recommend any final dividend payment for the year ended 31 December 2023.

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

The annual general meeting of the Company will be held on 5 June 2024. 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 31 May 2024 to 5 June 2024 (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 30 May 2024.

## **PUBLICATION OF 2023 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 2023 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, 28 March 2024

*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.*