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浙江滬杭甬高速公路股份有限公司

ZHEJIANG EXPRESSWAY CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 0576)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE INFRASTRUCTURE FUND ON THE SSE

THE PROPOSED SPIN-OFF

This announcement is made pursuant to Part XIVA of the SFO and Rule 13.09(2) and Practice Note 15 of the Listing Rules.

The Board is pleased to announce that the Company proposes to list the Infrastructure Fund as a public traded infrastructure securities investment fund (公開募集基礎設施證券投資基金) on the SSE by way of the Proposed Spin-off. Following completion of the Proposed Spin-off, the Infrastructure Fund and Hanghui Co will remain as subsidiaries of the Company.

LISTING RULES IMPLICATION

Upon completion of the Proposed Spin-off, the Company's interest in Hanghui Co will decrease from 88.674% to 51%. As such, the Proposed Spin-off will constitute a deemed disposal under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Spin-off as calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Proposed Spin-off constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements under the Listing Rules.

The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

Furthermore, given the PRC legal impediments, it is not feasible for the Company to comply with Paragraph 3(f) of PN15 in connection with the Proposed Spin-off. Accordingly, the Company has also applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Paragraph 3(f) of Practice Note 15 of the Listing Rules.

Shareholders and Potential Investors should note that the Proposed Spin-off is subject to, among other things, the prevailing market conditions. Accordingly, Shareholders and Potential Investors should be aware that the Proposed Spin-off may or may not occur. Shareholders and Potential Investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the Company's announcement dated September 25, 2020 in relation to the Company's proposed spin-off and separate listing of the Infrastructure Fund on the SSE. This announcement is made pursuant to Part XIVA of the SFO and Rule 13.09(2) and Practice Note 15 of the Listing Rules.

The Board is pleased to announce that, the Infrastructure Fund has commenced its public offering on May 31, 2021.

The Company has submitted a proposal in relation the Proposed Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

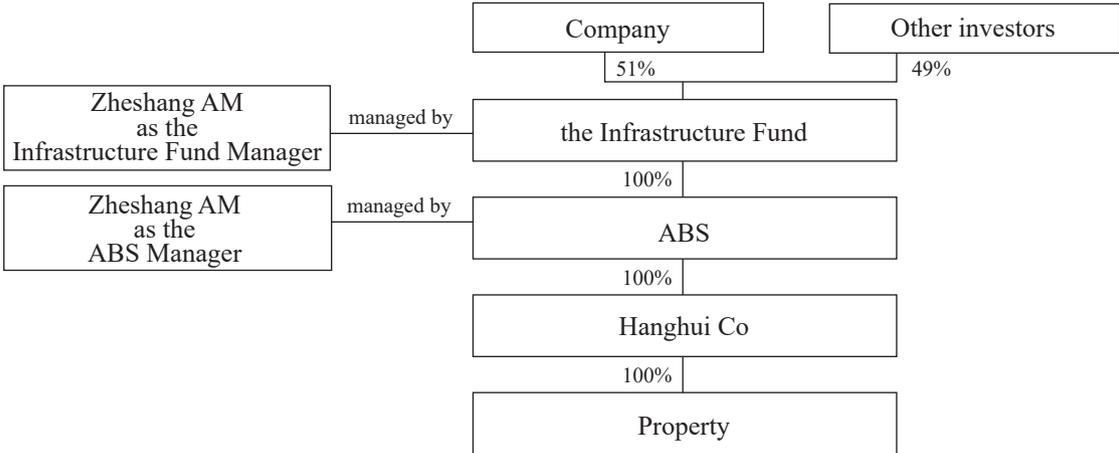
THE PROPOSED SPIN-OFF

The Proposed Spin-off involves the proposed spin-off of Hanghui Co and separate listing of the units of the Infrastructure Fund on the SSE. The Infrastructure Fund indirectly holds the income-generating infrastructure project, i.e. the Property, through Hanghui Co.

For the purpose of the Proposed Spin-off, Zheshang AM, as the fund manager, set up the Infrastructure Fund as a publicly-listed infrastructure securities investment fund, which has raised RMB4.36 billion. The Company subscribed for 51% of the interest in the Infrastructure Fund as a strategic investor.

For the purpose of the Proposed Spin-off and as required by the applicable PRC laws and regulations, the ABS will be set up by the ABS Manager. Upon completion of the public offering, Infrastructure Fund will apply the proceeds to subscribe for the entire interest in the ABS, subsequent to which, ABS will use the subscription monies to acquire the entire interest in Hanghui Co from the Company and other independent shareholders of Hanghui Co.

Structure of the Infrastructure Fund upon completion of the Proposed Spin-off is set out as below:



Financial effects of the Proposed Spin-off

Following the completion of the Proposed Spin-off, the Company will hold 51% interest in the Infrastructure Fund. As such, the Infrastructure Fund will become, and Hanghui Co will remain as, a non-wholly owned subsidiary of the Company and the accounts of the Infrastructure Fund will be consolidated into the Company’s accounts.

Conditions to the issue of the Infrastructure Fund

The Proposed Spin-off is conditional upon, among other things, the following conditions:

- 1) approvals of the CSRC and the SSE in respect of the proposed listing of the Infrastructure Fund on the SSE, and the Stock Exchange in respect of the Proposed Spin-off;
- 2) subscription of over 80 percent of the total units offered by the Infrastructure Fund;
- 3) the offering size of the Infrastructure Fund should be at least RMB200 million and there are at least 1,000 investors participating in the offering;
- 4) the Company must subscribe for at least 20 percent interest of the Infrastructure Fund in the strategic tranche; 20 percent interest of the Infrastructure held by the Company will be subject to a lock-up period of five years and the remainder of the Company’s interest in the Infrastructure Fund will be subject to a lock-up period of three years; and

- 5) at least 70 percent of the public offering (after subtracting the strategic tranche) must be sold to offline investors.

On May 14, 2021, the SSE has issued a letter of no object to the listing of the Infrastructure Fund on the SSE and on May 17, 2021, the CSRC has approved the registration of the Infrastructure Fund.

REASONS AND BENEFITS OF THE PROPOSED SPIN-OFF

The Directors consider that the Proposed Spin-off will be beneficial for both the Remaining Group and the Infrastructure Fund for the following reasons:

- (1) the net proceeds received by the Company from the Proposed Spin-off will provide the Group with funds for its operations, thereby enabling the Group to reduce its net borrowings and hence improve its liquidity and gearing position. It would also provide the Group with capital to fund new investment opportunities;
- (2) the Proposed Spin-off will provide additional funding sources for the future development of the underlying assets of Infrastructure Fund;
- (3) the Proposed Spin-off will allow the Infrastructure Fund to establish a higher profile as a separate listed entity with the ability to access the capital markets to fund future investments;
- (4) the Proposed Spin-off will allow the Company to realize part of the gains from the Property and achieve the valuation potential in the form of upfront cash proceeds as well as enabling the Shareholders to benefit from the Company's continuing interest in the Infrastructure Fund; and
- (5) the Proposed Spin-off will enable the Group to enter into the business of managing infrastructure securities investment funds which will generate a new and positive source of income.

As the Infrastructure Fund and its controlled entities will remain as subsidiaries of the Company following completion of the Proposed Spin-off and the financial results of the Infrastructure Fund will continue to be consolidated into the accounts of the Company. As such, it is expected that the Proposed Spin-off will not have any material impact on the financial position of the Company.

As such, the Board believes that there are clear commercial benefits to the Group under the Proposed Spin-off.

LISTING RULES IMPLICATIONS

Upon completion of the Proposed Spin-off, the Company's interest in Hanghui Co will decrease from 88.674% to 51%. As such, the Proposed Spin-off will constitute a deemed disposal under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Spin-off as calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Proposed Spin-off constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements under the Listing Rules.

The Company has submitted a proposal in relation to the Proposed Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

WAIVER FROM STRICT COMPLIANCE WITH PARAGRAPH 3(F) OF PRACTICE NOTE 15 OF THE LISTING RULES

Furthermore, as advised by the PRC legal counsel of the Company, Zhejiang T&C Law Firm, according to relevant laws and regulations of the PRC, infrastructure securities investment funds are only available for sale (i) by way of placing to strategic investors, which refer to institutional professional investors, exclusive of the existing shareholders of the Company or their respective related parties under common control; or (ii) by public offering to the offline investors or public investors. "Offline investors" herein refer to securities companies, fund management companies, trust companies, financial companies, insurance companies, qualified foreign institutional investors (QFII), commercial banks and their wealth management subsidiaries, qualified private equity fund managers, other professional institutional investors recognised by the CSRC, and security funds, such as the National Social Security Fund, basic pension insurance fund and annuity fund. As such, the Shareholders (exclusive of individual Shareholders) are not eligible to subscribe the units to be issued by the Infrastructure Fund in connection with the Proposed Spin-off unless and until they obtain the relevant approval from the CSRC to become QFII, so as to be qualified under scenario (ii) above. As a result, pursuant to the existing PRC laws, it is impracticable to preferentially allocate units in the Infrastructure Fund to the Shareholders.

Given the PRC legal impediments, it is not feasible for the Company to comply with Paragraph 3(f) of Practice Note 15 of the Listing Rules in connection with the Proposed Spin-off. The Directors, after considered the advice from the PRC legal counsel of the Company, were of the view the application for waiver from strict compliance with the requirement of Paragraph 3(f) of Practice Note 15 of the Listing Rules is in the best interests of the Company and its shareholders as a whole. Accordingly, the Company has made an application and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Paragraph 3(f) of Practice Note 15 of the Listing Rules.

INFORMATION ON THE COMPANY AND HANGHUI CO

The Company is a joint stock company established under the laws of the PRC with limited liability on March 1, 1997, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0576), principally engaged in investing in, developing and operating high-grade roads in the PRC. The Group also carries on certain other businesses such as securities brokerage, investment banking, asset management, margin financing and securities lending through Zheshang Securities.

Hanghui Co is currently a 88.674% owned subsidiary of the Company as at the date of this announcement and upon completion of the Proposed Spin-off, Hanghui Co will remain as a subsidiary of the Company. Hanghui Co is principally engaged in the investment and management of expressway and directly holds the Property.

Shareholders and Potential Investors should note that the Proposed Spin-off is subject to, among other things, the prevailing market conditions. Accordingly, Shareholders and Potential Investors should be aware that the Proposed Spin-off may or may not occur. Shareholders and Potential Investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings listed out below unless the context specifies otherwise:

“ABS”	Hanghui Expressway Asset-backed Securities Plan* (杭徽高速資產支持專項計劃) an infrastructure asset-back special purpose plan managed by the ABS Manager to securitise the Property
“ABS Manager” and “Zheshang AM”	Zhejiang Zheshang Securities Asset Management Co., Ltd.* (浙江浙商證券資產管理有限公司), a company established in the PRC with limited liability, an indirect non wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Circular”	Circular on Work Related to Advancing the Pilot Program of Real Estate Investment Trusts for the Infrastructure Sector* (關於做好基礎設施領域不動產投資信託基金(REITs)試點項目申報工作的通知) jointly published by the CSRC and the NDRC on April 30, 2020

“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0576)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Guidelines”	Guidance on Public Offering of Infrastructure Securities Investment Fund (Trial)* (公開募集基礎設施證券投資基金指引(試行)) published by the CSRC on August 7, 2020
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hanghui Co”	Zhejiang Hanghui Expressway Co., Ltd.* (浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company as at the date of this announcement
“Hanghui Expressway”	Zhejiang section of Hangzhou-Ruili Expressway (G56) within the state expressway network and is a four-lane expressway with a total length of approximately 122.245km
“Infrastructure Fund”	Zheshang Huijin Zhejiang Expressway Infrastructure Securities Investment Fund* (浙商匯金滬杭甬高速基礎設施證券投資基金), a publicly offered infrastructure securities investment fund established pursuant to the Circular, the Guidelines and the SSE Measures
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NDRC”	the National Development and Reform Commission
“Potential Investors”	the potential investors of the Company
“Practice Note 15”	Practice Note 15 of the Listing Rules

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	the toll collection right of the Hanghui Expressway, a four-lane expressway with a total length of approximately 122.245km
“Proposed Spin-off”	the proposed spin-off Hanghui Co and separate listing of the units of the Infrastructure Fund on the SSE
“Remaining Group”	the Group excluding Hanghui Co
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SSE Measures”	the Measures on Public Offering of the Infrastructure Securities Investment Funds (REITs) on Shanghai Stock Exchange (Trial)* (上海證券交易所公開募集基礎設施證券投資基金(REITs)業務辦法(試行)) published by the Shanghai Stock Exchange on January 29, 2021

On behalf of the Board
Zhejiang Expressway Co., Ltd.
YU Zhihong
Chairman

Hangzhou, the PRC, May 31, 2021

As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive Director of the Company is: Mr. CHEN Ninghui; the other non-executive Directors of the Company are: Mr. DAI Benmeng, Mr. YUAN Yingjie and Mr. FAN Ye; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.

* For the purposes of identification only.