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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)

**CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENT
BETWEEN ZHEJIANG ZHEQI AND ZHESHANG DEVELOPMENT**

FRAMEWORK AGREEMENT

On March 24, 2022 (after trading hours), Zhejiang Zheqi, an indirectly non-wholly owned subsidiary of the Company, entered into the Framework Agreement with Zheshang Development, pursuant to which Zhejiang Zheqi and Zheshang Development Group will be involved in, among others, (i) bulk commodity sale and purchase transactions and (ii) over-the-counter (OTC) derivatives transactions, on a continuing basis in their ordinary and usual course of business for a term of three years. The respective annual caps of the relevant continuing connected transactions have been set out the Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Zheshang Development is a 46.22% owned associate of Communications Group, and therefore it is a connected person of the Company.

As at the date of this announcement, Zhejiang Zheqi is an indirectly non-wholly owned subsidiary of the Company. As a result, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of each of the bulk commodity sale and purchase transactions and the OTC derivatives transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the entering into of each of the bulk commodity sale and purchase transactions and the OTC derivatives transactions under the Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On March 24, 2022 (after trading hours), Zhejiang Zheqi entered into the Framework Agreement with Zheshang Development, pursuant to which Zhejiang Zheqi and Zheshang Development Group will be involved in, among others, (i) bulk commodity sale and purchase transactions and (ii) over-the-counter (OTC) derivatives transactions, on a continuing basis in their ordinary and usual course of business for a term of three years.

FRAMEWORK AGREEMENT

Date

March 24, 2022 (after trading hours)

Parties

- (1) Zhejiang Zheqi; and
- (2) Zheshang Development

Term

The Framework Agreement is for a term of three years commencing from March 24, 2022. Unless mutually agreed by the parties on renewal, the Framework Agreement will be automatically terminated upon expiration.

Content of the transactions

(i) Bulk commodity sale and purchase transactions

Principal terms

Pursuant to the Framework Agreement, Zhejiang Zheqi will purchase bulk commodities, including but not limited to, steel and iron ores, from Zheshang Development Group; and Zheshang Development Group will purchase bulk commodities, including but not limited to, steel and iron ores, from Zhejiang Zheqi on a continuing basis in their ordinary and usual courses of business.

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set annual caps on the maximum aggregate annual amount of the transactions of sales and purchases of bulk commodities between Zhejiang Zheqi and Zheshang Development Group.

The proposed annual cap on the maximum aggregate annual amount of bulk commodities to be sold by Zhejiang Zheqi to Zheshang Development Group for each of the three years ending March 23, 2025 shall not exceed RMB800,000,000.

The proposed annual cap on the maximum aggregate annual amount of bulk commodities to be purchased by Zhejiang Zheqi from Zheshang Development Group for each of the three years ending March 23, 2025 shall not exceed RMB800,000,000.

If the actual aggregate amount of the sales or purchases of bulk commodities under the Framework Agreement shall exceed the abovementioned annual cap, the Company will re-comply with all applicable requirements under the Listing Rules.

Basis of payment and annual caps

The payment for the sale and purchase of bulk commodities contemplated under the Framework Agreement will be determined with reference to the market prices of the relevant bulk commodities.

The proposed annual caps for the sale and purchase of bulk commodities contemplated under the Framework Agreement are determined with reference to: (i) comparable spot prices of the bulk commodities in the current market environment, (ii) the annual total transaction amount between Zhejiang Zheqi and Zheshang Development Group, (iii) the anticipated demand for bulk commodities over the next three years as indicated by Zheshang Development Group and (iv) the potential rise in the prices of the abovementioned bulk commodities and the scale effect of related businesses after expansion.

(ii) OTC derivatives transactions

Principal terms

Pursuant to the Framework Agreement, Zhejiang Zheqi will provide risk management services to Zheshang Development Group on a continuing basis in the ordinary and usual courses of business, including the personalized and comprehensive risk management services in respect of the price risks confronted by Zheshang Development Group when it deals in options, swaps, forwards and other derivative financial instruments or its portfolios on the public or non-public markets. As a result, Zheshang Development Group will conduct OTC derivatives transactions with Zhejiang Zheqi, including but not limited to, swaps and OTC options in the commodity derivatives markets in China.

In a swap transaction, the counterparties of the swap are the buyers and sellers. The seller pays the fixed/variable price of a specific asset to the buyer, and in return, the buyer pays the corresponding fixed/variable price to the seller. By common types, swap businesses are classified as variable price for variable price and variable price for fixed price. Variable price swaps are mainly structured products such as stock index enhancement. Variable and fixed price swaps mainly involve swaps in respect of underlying such as spot and futures contracts on stocks and bulk commodities. In an OTC option transaction, upon inception of the transaction of options, the buyer pays premium to the seller.

Annual caps

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set annual caps for the OTC derivatives transactions between Zhejiang Zheqi and Zheshang Development Group. Due to the different nature and unique characteristics of the OTC derivatives transactions, the annual caps vary for different categories of OTC derivatives transactions where the annual cap for OTC option transaction is customarily set on the maximum aggregate annual amount of premium to be paid by the buyer to the seller and the annual caps for swap transaction is usually set on the maximum aggregate annual amount of accumulated nominal principal. While Zhejiang Zheqi expects that a significant majority of OTC derivatives transactions comprise swap transactions, the annual cap for the aggregate amount of OTC derivatives transactions between Zhejiang Zheqi and Zheshang Development Group will be set on the maximum aggregate annual amount of accumulated nominal principal for all the OTC derivatives transactions, which also covers the potential OTC option transactions.

The proposed annual cap on the maximum aggregate annual amount of accumulated nominal principal for the OTC derivatives transactions between Zhejiang Zheqi and Zheshang Development Group for each of the three years ending March 23, 2025 shall not exceed RMB1,200,000,000.

If the actual amount of accumulated nominal principal for the OTC derivatives transactions between Zhejiang Zheqi and Zheshang Development Group under the Framework Agreement shall exceed the abovementioned annual cap, the Company will re-comply with all applicable requirements under the Listing Rules.

Basis of payment and annual cap

The payment for the OTC derivatives transactions contemplated under the Framework Agreement will be determined with reference to the specified prices and terms of the products at the OTC market.

The proposed annual cap for OTC derivatives transactions contemplated under the Framework Agreement are determined with reference to: (i) the anticipated demand for risk management services over the next three years as indicated by Zheshang Development Group; (ii) the market price of the underlying assets, (iii) the scale of business of Zheshang Development Group and its future business plan and (iv) the need to cater for the possible increase in volatility in the commodity market and the liquidity risk by Zheshang Development Group over the next three years.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Zheshang Development is a large state-owned enterprise with healthy operation. Bulk commodity supply chain integration service is the core business of Zheshang Development Group. As such, Zhejiang Zheqi will be exposed to low default risk when purchasing from Zheshang Development Group. As mainstream products of the bulk commodities market, such bulk commodities have relatively larger market shares and are well-received by the market. Entering into the Framework Agreement with Zheshang Development is expected to enable Zhejiang Zheqi to seize opportunities brought about by favourable market conditions and secure stable profits from price-spread arbitrage, which is in the interest of the Company and the Shareholders as a whole.

In order to manage their price risks more accurately, Zheshang Development Group has the need to conduct OTC derivatives transactions through Zhejiang Zheqi. Such business can help its operating entities to address risks associated with price spread of spot commodities. At present, OTC derivative transactions are primarily entered into for hedging commodity price risks and they present a greater variety in terms of product choices as compared to those offered on exchange. In the meantime, entering into the Framework Agreement with Zheshang Development is expected to enable Zheshang Development Group to further diversify its risks involved in other markets during its ordinary course of business and allow Zheshang Zheqi to further expand its scale of operation and may in turn contribute to the Group's profitability. Furthermore, as mentioned above, it is expected that the credit risk involved in dealing with Zheshang Development Group is lower in view of Zheshang Development's background and operating history.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement and the proposed annual caps thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

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 Stock Exchange. It is 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 Co., Ltd..

Communications Group is a wholly state-owned enterprise established in the PRC on December 29, 2001 and is principally engaged in a diverse range of businesses, including investment, construction, operation, maintenance, toll collection and ancillary services of transportation infrastructure projects.

Zheshang Development is a 46.22% owned associate of Communications Group which was established under the laws of the PRC with limited liability in April 1999, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000906). Zheshang Development is principally engaged in providing supply chain integration services including but not limited to consulting, raw material procurement, inventory management, logistics distribution, risk hedging, asset management and supply chain finance.

Zhejiang Zheqi is an indirectly non-wholly owned subsidiary of the Company which was established under the laws of the PRC with limited liability on April 9, 2013. Zhejiang Zheqi is principally engaged in futures and spot related business, including basis trading, market making business and over-the-counter business.

LISTING RULES IMPLICATIONS

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As at the date of this announcement, Zhejiang Zheqi is an indirectly non-wholly owned subsidiary of the Company. As a result, the transactions contemplated under the Framework Agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of each of the bulk commodity sale and purchase transactions and the OTC derivatives transactions contemplated under the Framework Agreement is more than 0.1% but less than 5%, the entering into of each of the bulk commodity sale and purchase transactions and the OTC derivatives transactions under the Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Yu Zhihong, Mr. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang are currently also employed by the Communications Group, they have abstained from voting at the board meeting at which the Framework Agreement was considered and approved. Save for Mr. Yu Zhihong, Mr. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang, none of the Directors has any material interest in the Framework Agreement or is required to abstain from voting on the relevant Board resolutions to approve the same.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

“Board”	the board of Directors of the Company
“Communications Group”	Zhejiang Communications Investment Group Co., Ltd.* (浙江省交通投資集團有限公司), a wholly state-owned enterprise established in the PRC on December 29, 2001 and the controlling shareholder of the Company

“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 established in the PRC on March 1, 1997, whose shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the agreement entered into between and Zhejiang Zheqi and Zheshang Development on March 24, 2022, pursuant to which Zhejiang Zheqi and Zheshang Development Group will be involved in, among others, (i) bulk commodity sale and purchase transactions and (ii) over-the-counter (OTC) derivatives transactions
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Stock Exchange and traded in Hong Kong dollars since May 15, 1997
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	holder(s) of the share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zhejiang Zheqi”	Zhejiang Zheqi Industrial Co., Ltd.* (浙江浙期實業有限公司), a company established in the PRC, an indirectly non-wholly owned subsidiary of the Company with limited liability
“Zheshang Development”	Zheshang Development Group Co., Ltd.* (浙商中拓集團股份有限公司), a company incorporated in the PRC and a 46.22% owned associate of Communications Group and listed on the Shenzhen Stock Exchange (Stock Code: 000906)
“Zheshang Development Group”	Zheshang Development and its subsidiaries
“%”	per cent

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

Hangzhou, the PRC, March 25, 2022

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