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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
ISSUE OF CONVERTIBLE BONDS BY ZHESHANG SECURITIES**

Reference is made to the announcements of the Company dated March 28, 2022, April 12, 2022, June 9, 2022, June 13, 2022, June 14, 2022 and June 15, 2022 in relation to, among other things, the issue of Convertible Bonds issued by Zheshang Securities.

On June 14, 2022, Zheshang Securities, being an indirectly non-wholly owned subsidiary of the Company, has issued the Convertible Bonds in the principal amount of RMB7 billion. Existing shareholders of Zheshang Securities have the pre-emptive rights to subscribe for the Convertible Bonds and any outstanding Convertible Bonds (including those where the existing shareholders waive their pre-emptive rights to subscribe) will be sold to the public investors through the Shanghai Stock Exchange trading system. Shangsang Co, being an approximately 73.63% owned subsidiary of the Company as at the date of this announcement, owns approximately 54.79% issued share capital of Zheshang Securities. As an existing shareholder of Zheshang Securities, Shangsang Co has the pre-emptive right to subscribe for the Convertible Bonds in proportion to its shareholding in Zheshang Securities. Accordingly, Shangsang Co has subscribed for the Convertible Bonds with a principal amount of approximately RMB3,833,185,000. Other Bondholders have subscribed for the Convertible Bonds with an aggregate principal amount of approximately RMB3,166,815,000.

LISTING RULES IMPLICATIONS

As the exercise of the conversion rights attached to the Convertible Bonds held by the Other Bondholders is not at the discretion of Zheshang Securities, the issue of the Convertible Bonds will be classified as if the conversion rights attached to the Convertible Bonds held by the Other Bondholders have been exercised pursuant to Rule 14.74 of the Listing Rules.

Based on the initial Conversion Price of RMB10.49 per Conversion Share, assuming none of the conversion rights attaching to the Convertible Bonds is exercised by Shangsan Co while the conversion rights attaching to the Convertible Bonds are exercised by the Other Bondholders in full, a total of 301,888,941 Conversion Shares will be allotted and issued to the Other Bondholders, which represent approximately 3.96% of the enlarged issued share capital of Zheshang Securities, under which the exercise of the conversion rights attaching to the Convertible Bonds by the Other Bondholders would constitute a deemed disposal of the Company's interest in Zheshang Securities under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the issue of the Convertible Bonds is more than 5% but less than 25%, the issue of the Convertible Bonds constitutes a discloseable transaction of the Company under the Listing Rules and are therefore subject to the notification and announcement requirements but exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

THE ISSUE OF THE CONVERTIBLE BONDS

On June 14, 2022, Zheshang Securities, being an indirectly non-wholly owned subsidiary of the Company, has issued the Convertible Bonds in the principal amount of RMB7 billion.

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	Zheshang Securities
Issue Date:	June 14, 2022
Principal Amount:	RMB7 billion at the face value of RMB100 for each Convertible Bond
Issue price:	100% of the principal amount of the Convertible Bonds
Maturity Date:	June 13, 2028
Interest:	The Convertible Bonds are interest-bearing from the issue date of the Convertible Bonds at the following rates per annum on the principal amount of the Convertible Bonds outstanding: 0.2% in the first year 0.4% in the second year 0.6% in the third year 1.0% in the fourth year 1.5% in the fifth year 2.0% in the sixth year.

The interest will be payable by the Company annually in arrears from the issue date of the Convertible Bonds.

Conversion:

Subject to certain conditions, each Bondholder has the right to convert his Convertible Bonds into Conversion Shares at the Conversion Price at any time on or after December 20, 2022 and up to June 13, 2028.

The number of Conversion Shares to be issued on conversion of a Convertible Bond will be determined by dividing the principal amount of the Convertible Bond to be converted by the Conversion Price in effect at the date of Conversion.

Conversion Price:

The initial conversion price being RMB10.49 per Conversion Share, subject to the customary adjustments in certain events including bonus issue, capital increase, issue new shares (other than the issue of Convertible Bonds) and dividend distribution.

In the event that the closing price of the Issuer's A shares is lower than 80% of the current Conversion Price for at least 15 trading days out of any 30 consecutive trading days, the board of the Issuer shall have the right to propose a downward adjustment of the Conversion Price for the approval of the shareholders of the Issuer. The downward adjustment will only take effect upon the approval of two-thirds of the voting rights held by the shareholders present at the shareholders' meeting of the Issuer.

In the event of an adjustment to the Conversion Price, the Issuer will publish the adjusted Conversion Price on the media designated by the CSRC.

Conversion Shares:

Based on the initial Conversion Price of RMB10.49, up to 667,302,192 Conversion Shares will be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing approximately 8.04% of the issued share capital of the Issuer as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming that there is no other share to be allotted and issued by the Issuer.

The Conversion Shares will rank pari passu in all respects with all other existing shares of the Issuer outstanding as at the date of conversion of the Convertible Bonds.

Redemption at Maturity: Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Convertible Bond within five trading days after the maturity date at 106% of its principal amount (including the last interest period).

Redemption at the option of the Issuer: During the period when the Convertible Bonds can be converted into Conversion Shares, if (i) the closing price of the Issuer's A shares for at least 15 out of 30 consecutive trading days is not less than 130% of the Conversion Price; or (ii) the principal amount of the outstanding Convertible Bonds which has not been converted into Conversion Shares is less than RMB30 million, the Issuer shall have the option to redeem such outstanding Convertible Bonds in whole or in part at face value of the Convertible Bonds together with accrued interests.

Listing: Application has been made for the listing of the Convertible Bonds on the Shanghai Stock Exchange. The Convertible Bonds will be listed on the Shanghai Stock Exchange on July 8, 2022.

Pre-emptive Rights

Existing shareholders of Zheshang Securities have the pre-emptive rights to subscribe for the Convertible Bonds and any outstanding Convertible Bonds (including those where the existing shareholders waive their pre-emptive rights to subscribe) will be sold to the public investors through the Shanghai Stock Exchange trading system. Shangsang Co, being an approximately 73.63% owned subsidiary of the Company, owns approximately 54.79% issued share capital of Zheshang Securities. As an existing shareholder of Zheshang Securities, Shangsang Co has the pre-emptive right to subscribe for the Convertible Bonds in proportion to its shareholding in Zheshang Securities. Accordingly, Shangsang Co has subscribed for the Convertible Bonds with a principal amount of approximately RMB3,833,185,000.

Conversion by Other Bondholders

Other Bondholders have subscribed for the Convertible Bonds with an aggregate principal amount of approximately RMB3,166,815,000. To the best of the Company's knowledge, information and belief, the Other Bondholders are third parties independent of the Company and are not connected persons of the Company.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF THE ISSUE OF CONVERTIBLE BONDS

The net proceeds from the issue of the Convertible Bonds amount to RMB6,985,831,132.08, which will be used as Zheshang Securities' working capital and support business development. Amongst the various ways of raising funds in the capital market, the issue of the Convertible Bonds is an appropriate means of raising capital for Zheshang Securities since such issue will not have an immediate dilution effect on the shareholding of the existing shareholders of Zheshang Securities. Zheshang Securities will also benefit from an increase in its share capital and broadened shareholders base upon conversion of the Convertible Bonds, which allow Zheshang Securities to expand the scale of business, optimize the business structure and enhance the market competitiveness and risk resistance.

Given the above, the Directors are of the view that the terms for the issue of the Convertible Bonds are on normal commercial terms, 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 limited company established in the PRC 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 is also engaged in the expressway related development and operation, as well as securities business.

Shangsan Co is a limited liability company established under the laws of the PRC on January 1, 1998. As at the date of this announcement, it is owned as to approximately 73.63% by the Company. It is principally engaged in the investment, construction, maintenance, management and other related services for the operation and development of highways.

Zheshang Securities is a joint stock limited company established under the laws of the PRC on May 9, 2002. Zheshang Securities is principally engaged in the provision of securities and financial services. The following table sets out a summary of the audited financial information of Zheshang Securities for the financial years ended December 31, 2020 and 2021 is set out below:

	As at December 31,	
	2020	2021
	<i>RMB</i>	<i>RMB</i>
audited profit before taxation	2,166,108,302.65	2,916,381,201.99
audited profit after taxation	1,627,166,025.65	2,195,682,763.42

The net asset value of Zheshang Securities as at December 31, 2021 was RMB23,836,850,045.61.

LISTING RULES IMPLICATIONS

As the exercise of the conversion rights attached to the Convertible Bonds held by the Other Bondholders is not at the discretion of Zheshang Securities, the issue of the Convertible Bonds will be classified as if the conversion rights attached to the Convertible Bonds held by the Other Bondholders have been exercised pursuant to Rule 14.74 of the Listing Rules.

Based on the initial Conversion Price of RMB10.49 per Conversion Share, assuming none of the conversion rights attaching to the Convertible Bonds is exercised by Shangsang Co while the conversion rights attaching to the Convertible Bonds are exercised by the Other Bondholders in full, a total of 301,888,941 Conversion Shares will be allotted and issued to the Other Bondholders, which represent approximately 3.96% of the enlarged issued share capital of Zheshang Securities, under which the exercise of the conversion rights attaching to the Convertible Bonds by the Other Bondholders would constitute a deemed disposal of the Company's interest in Zheshang Securities under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio in respect of the issue of the Convertible Bonds is more than 5% but less than 25%, the issue of the Convertible Bonds constitutes a discloseable transaction of the Company under the Listing Rules and are therefore subject to the notification and announcement requirements but exempt from the shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Bondholder”	holder of the Convertible Bonds
“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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Convertible Bonds”	the convertible bonds issued by Zheshang Securities in the principal amount of RMB7 billion
“Conversion Price”	the initial conversion price RMB10.49 per Conversion Share (subject to adjustments) at which the Bondholder may subscribe for the Conversion Shares
“Conversion Share(s)”	new share(s) of Zheshang Securities to be issued upon exercise of the conversion rights attaching to the Convertible Bonds
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“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
“Other Bondholders”	Holders of the Convertible Bonds other than Shangsans Co
“percentage ratio(s)”	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
“RMB”	Renminbi, the lawful currency of the PRC
“Shangsans Co”	Zhejiang Shangsans Expressway Co., Ltd.* (浙江上三高速公路有限公司), a limited liability company established in the PRC on January 1, 1998 which is owned as to approximately 73.63% by the Company and a subsidiary of the Company

“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
“Zheshang Securities” or “Issuer”	Zheshang Securities Co., Ltd.* (浙商證券股份有限公司), a joint stock limited company established under the laws of the PRC on May 9, 2002, the shares of which was listed on the Shanghai Stock Exchange on June 26, 2017 (SH stock code: 601878)
“%”	per cent

* For identifications only.

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

Hangzhou, the PRC, July 5, 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.