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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)

**MAJOR TRANSACTION
IN RELATION TO THE PROPOSED ISSUANCE OF THE ABS
AND THE EQUITY TRANSFER AGREEMENT**

THE PROPOSED ISSUANCE OF THE ABS

The Company proposes to launch an Asset-backed Special Program, which expects to issue the ABS on the SSE in November 2022 or a later date to be determined for the purpose of investing in and securitizing the Underlying Assets held by Shenjiahuhang Co, a wholly-owned subsidiary of the Company, and raising funds for the operation and development of the business of the Group. In order to issue the ABS, the Company has appointed CICC as the project manager of the Asset-backed Special Program.

THE EQUITY TRANSFER AGREEMENT

For the purpose of the proposed issuance of the ABS, the Company as the vendor and the original interest owner and CICC as the project manager and acting on behalf of the Asset-backed Special Program as the purchaser, will enter into the Equity Transfer Agreement, pursuant to which the Company will conditionally agree to transfer the entire equity interests in Shenjiahuhang Co to the Asset-backed Special Program to be managed by CICC at a cash consideration expected to be not less than RMB2,943 million.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement is over 25% but less than 75%, the transactions contemplated thereunder will constitute a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval without the need of convening a general meeting. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders is materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder. As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company.

The Company has received written Shareholders' approval in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the proposed issuance of the ABS, the Equity Transfer Agreement and the transactions contemplated thereunder, is expected to be despatched to the Shareholders on or before October 11, 2022.

THE ABS

The Company proposes to appoint CICC as the project manager of the Asset-backed Special Program, pursuant to which the ABS will be issued on the SSE. The ABS is expected to be issued to the Professional Investors in November 2022 or a later date to be determined. For the purpose of the Asset-backed Special Program, the Company will enter into the Equity Transfer Agreement with CICC, acting on behalf of the Asset-backed Special Program as the purchaser and will, together with the Professional Investors, enter into the Asset Management Agreement with CICC as the project manager.

The ABS will comprise two classes, namely senior class ABS and subordinated class ABS. The ABS shall be valid until the expiry date of the toll collection right of Shenjiahuhang Expressway under the Asset-backed Special Program. The holders of senior class ABS shall have a priority in receiving the distribution over the holders of subordinated class ABS. There are two tranches under the subordinated class ABS, namely Tranche A ABS and Tranche B ABS. Tranche B ABS will be fully subscribed by the original interest owner (i.e. the Company) and/or its related parties. From the date of establishment of the Asset-backed Special Program to the third ordinary distribution date, the senior class ABS shall bear an interest at an expected rate to be determined with reference to the results of bookbuilding; from the third ordinary distribution date and for every three years, such rate shall be determined with reference to the coupon rate adjustment announcement of the Asset-backed Special Program. The subordinated class

ABS will be entitled to the residual interest after distribution to the senior class ABS (if any). The senior class ABS is expected a credit rating of “AAAsf” from China Chengxin International Credit Rating Co. Ltd., an independent rating agency in the PRC where subordinated class ABS will not be subject to rating. The principal sum of the ABS to be issued is approximately RMB6,317 million, which is estimated based on the value of the equity interests and outstanding liabilities of Shenjiahuhang Co. The term of the ABS is approximately 12 years and the expected size of the ABS are set out in the table below. Details of the ABS are subject to the approval by the SSE.

Tranche	Senior Class ABS	Subordinated Class ABS	
		Tranche A ABS	Tranche B ABS
Principal amount <i>(RMB million)</i>	6,067	175	75

THE ASSET MANAGEMENT AGREEMENT

The Company together with the Professional Investors propose to enter into the Asset Management Agreement with CICC as the project manager of the Asset-backed Special Program, pursuant to which CICC will provide management services in relation to the Underlying Assets and distribute interests derived from the Asset-backed Special Program.

EQUITY TRANSFER AGREEMENT

For the purpose of the proposed issuance of the ABS Program, the Company as the vendor and the original interest owner and CICC as the project manager and acting on behalf of the Asset-backed Special Program as the purchaser, proposes to enter into the Equity Transfer Agreement, pursuant to which the Company will conditionally agree to transfer the entire equity interests in Shenjiahuhang Co to the Asset-backed Special Program to be managed by CICC at a cash consideration expected to be not less than RMB2,943 million via the Property Exchange.

The Company will enter into the Equity Transfer Agreement with CICC, as the project manager of the Asset-backed Special Program, after CICC successfully bid for the entire equity interests in Shenjiahuhang Co on the Property Exchange pursuant to the applicable PRC laws and regulations.

Principal terms of Equity Transfer Agreement are summarized as follows.

Parties:

- (i) the Company, as the vendor and original interest owner; and
- (ii) CICC, as the project manager and acting on behalf of the Asset-backed Special Program as the purchaser

Underlying Assets:

The Underlying Assets include the entire equity interests in Shenjiahuhang Co together with all the income generated from the toll collection right of Huzhou Section and Lianhang Section and other relevant assets of Shenjiahuhang Expressway held by Shenjiahuhang Co with a period of 25 years.

The Asset-backed Special Program, upon establishment, shall be entitled to all the rights and interests (present and future, existing and contingent) of the Underlying Assets.

Consideration and Payment Terms:

The consideration for the entire equity interest in Shenjiahuhang Co is expected to be not less than RMB2,943 million. A number of factors have been considered when determining the consideration, including, among others, the Valuation Report prepared by Jones Lang LaSalle, as well as the PRC valuation report prepared by a PRC Domestic Valuer commissioned by the Company pursuant to the requirements of Zhejiang SASAC and relevant PRC laws and regulations. The consideration will be payable by the Asset-backed Special Program within five business days after the effective date of the Equity Transfer Agreement.

The Directors are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors confirmed that the Equity Transfer Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group on normal commercial terms and will have no material adverse impact on the operations and financial position of the Group.

EFFECTIVENESS

The Equity Transfer Agreement will become effective upon satisfaction of the following:

- (i) all approval procedures required for the signing of the Equity Transfer Agreement, including but not limited to authorization, approval, and internal company decision-making, have been legally obtained and remain effective;
- (ii) the preconditions and prerequisites for the establishment of the Equity Transfer Agreement have been fulfilled; and
- (iii) the Company and Shenjiahuhang Co have passed the relevant internal resolutions (including shareholders' resolution, board resolution, etc.) to approve the Equity Transfer Agreement, copies of which have been provided to CICC.

Completion of the Equity Transfer Agreement

Subject to the fulfillment (or where applicable, waived) in full of the conditions set out above, within 10 business days from obtaining the property right transaction voucher, the parties shall cooperate to apply with the relevant governmental authorities to alter the registration for industrial and commercial administration for completion under the Equity Transfer Agreement.

Principal assumptions for the income approach adopted for the Valuation Report

The appraised value of the entire equity interests in Shenjiahuhang Co under the Valuation Report was prepared using the income approach, through the use of the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Details of the key assumptions used in determining the value of the entire equity interests in Shenjiahuhang Co upon which the Valuation Report was issued are set out below:

Major assumptions

- the continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;
- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Shenjiahuhang Co;
- the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- copies of the operating licenses and company incorporation documents obtained by Jones Lang LaSalle are reliable and legitimate;
- natural weather can have an impact on toll roads, including flooding and other types of inclement weather, while Jones Lang LaSalle has assumed that no extended closure will occur;
- shareholder loan will be made to Shenjiahuhang Co when necessary;
- the financial and operational information such as management accounts, contractual agreements and manufacturing capabilities, provided to us by Shenjiahuhang Co and the Company is accurate; and
- there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Furthermore, Jones Lang LaSalle assumes no responsibility for changes in market conditions after June 30, 2022.

Deloitte, acting as the reporting accountants of the Company, has performed an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions.

Deloitte reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions. The Directors confirm that the valuation of the entire equity interests in Shenjiahuhang Co in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

A letter from Deloitte in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules are included in the Appendices to this announcement.

As at the date of this announcement, Deloitte does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. To the best of the Directors’ knowledge, information and belief, Deloitte is an Independent Third Party.

Deloitte has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it is included.

FINANCIAL EFFECT AND USE OF PROCEEDS FROM THE PROPOSED ISSUANCE OF THE ABS

Upon completion under the Equity Transfer Agreement, Shenjiahuhang Co will cease to be a subsidiary of the Company and the accounts of Shenjiahuhang Co will cease to be consolidated into the accounts of the Company.

The Company is expected to recognize an unaudited estimated gain of approximately RMB1,935 million on a consolidated basis from the proposed issuance of the ABS, which represents the difference between the consideration under the Equity Transfer Agreement of not less than RMB2,943 million and the unaudited carrying value of the Underlying Assets of approximately RMB1,008 million as at the Valuation Benchmark Date as adjusted in accordance with the Company's accounting policy.

The proceeds from the proposed issuance of the ABS will be used for general working capital purposes of the Company and raising funds for the operation and development of the business of the Group.

INFORMATION OF THE COMPANY

The Company is a joint stock 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.

INFORMATION OF SHENJIAHUHANG CO

Shenjiahuhang Co is a limited liability company established in the PRC on July 13, 2018. Shenjiahuhang Co holds the toll collection rights of Huzhou Section (S12) and Lianhang Section (S13) of Shenjiahuhang Expressway. As at the date of this announcement, Shenjiahuhang Co is a wholly-owned subsidiary of the Company.

Shenjiahuhang Expressway is divided into Huzhou Section (S12) and Lianhang Section (S13). The Huzhou section starts from Lianshi Town at Nanxun District, Huzhou City, and ends at Wuxing District at Huzhou City, for a total length of 41.978 kilometers. The Lianhang section starts from Lianshi Town at Nanxun District, Huzhou City, and ends at Chongxian Town, Yuhang District for a total length of 50.938 kilometers.

As part of the reorganisation for the purpose of the proposed issuance of ABS under the Asset-backed Special Program, Shenjiahuhang Co will transfer its 51% of equity interests in Zhoushan Co to the Company at the audited net asset value of Zhoushan Co as at 30 June 2022 pursuant to a proposed equity transfer agreement, which constitutes an intra-group restructuring and is not subject to the requirements under the Chapter 14 of the Listing Rules.

According to the audited financial information of Shenjiahuhang Co for the year ended December 31, 2020 and 2021 prepared with reference to generally accepted accounting principles in the PRC by the auditor of Shenjiahuhang Co, the net asset value of the Shenjiahuhang Co as at December 31, 2021 was approximately RMB1,672 million. A summary of the audited financial information of Shenjiahuhang Co for the financial years ended December 31, 2020 and 2021 is set out below:

	Year Ended December 31, 2021 <i>(RMB million)</i> <i>Approximately</i>	Year Ended December 31, 2020 <i>(RMB million)</i> <i>Approximately</i>
Revenue	784	561
Profit/(Loss) before taxation	73	(155)
Profit/(Loss) after taxation	53	(117)

INFORMATION OF CICC

CICC is principally engaged in investment banking, equity sales and trading, wealth management, fixed income, commodities and currencies and investment management business.

As at the date of this announcement, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, CICC and its ultimate beneficial owners are third parties independent of the Company and of the connected person(s) of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED ISSUANCE OF THE ABS

The Company is principally engaged in investing in, developing and operating high-grade roads. The Directors believe that the proposed issuance of the ABS will enhance asset utilization, improve the overall turnover of the Company's assets and increase the overall operating capital of the Company. It also helps to lower the finance cost and promote the investment and financing capabilities of the Company.

The Directors are of the view that the terms of the the proposed issuance of the ABS, the Equity Transfer Agreement and the transactions contemplated thereunder and are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the transactions contemplated under the Equity Transfer Agreement is over 25% but less than 75%, the transactions contemplated under the Equity Transfer Agreement will constitute a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval without the need of convening a general meeting. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders is materially interested in the Equity Transfer Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if a general meeting is to be convened to approve the Equity Transfer Agreement and the transactions contemplated thereunder. As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company.

The Company has received written Shareholders' approval in respect of the Equity Transfer Agreement and the transactions contemplated thereunder, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

A circular containing, among other things, details of the proposed issuance of the ABS, the Equity Transfer Agreement and the transactions contemplated thereunder, is expected to be despatched to the Shareholders on or before October 11, 2022.

The credit rating in relation to the senior class ABS mentioned herein is strictly for information purposes only. Such rating does not constitute a recommendation to buy, sell or hold any securities of the Company.

Shareholders and potential investors of the Company are advised not to rely solely on the information contained herein and should exercise caution when dealing in the securities of the Company. When in doubt, the Shareholders and potential investors of the Company are advised to seek professional advice from their own professional or financial advisers.

DEFINITIONS

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

“ABS”	two classes of securities, namely senior class and subordinated class of securities to be issued by the Asset-backed Special Program based on the Underlying Assets in the expected total principal amount of RMB6,317 million
“Asset-backed Special Program”	a special program set up by CICC in relation to the issuance of ABS based on the Underlying Assets
“Asset Management Agreement”	The asset management agreement to be entered into between the Company together with the Professional Investors, and CICC, as the project manager of the Asset-backed Special Program
“Board”	the board of Directors
“CICC”	China International Capital Corporation Limited, the project manager of Asset-backed Special Program and acting on behalf of the Asset-backed Special Program, the purchaser of the Equity Transfer Agreement
“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 with limited liability
“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, and the controlling shareholder of the Company
“Deloitte”	Deloitte Touche Tohmatsu, the reporting accountants of the Company
“Director(s)”	the director(s) of the Company

“Equity Transfer Agreement”	the agreement to be entered into between the Company and CICC acting on behalf of the Asset-backed Special Program as the purchaser as may be amended and supplemented, pursuant to which the Company conditionally agreed to transfer the entire equity interests in Shenjiahuhang Co to the Asset-backed Special Program for the purpose of the proposed issuance of the ABS
“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 Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jones Lang LaSalle”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer appointed by the Company in respect of Shenjiahuhang Co
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“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
“Professional Investor(s)”	the professional investors who fulfill the requirements and criteria as specified in the Asset Management Agreement and who will subscribe the ABS under the Asset-backed Special Program

“Property Exchange”	the Zhejiang Property & Stock Exchange (浙江產權交易所) or other legally established property and stock exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Shenjiahuhang Co”	Zhejiang Shenjiahuhang Expressway Co., Ltd.* (浙江申嘉湖杭高速公路有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the share(s) of the Company
“SSE”	The Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Underlying Assets”	the entire equity interests in Shenjiahuhang Co together with all the income generated from the toll collection right of Huzhou Section and Lianhang Section held by Shenjiahuhang Co and other relevant assets of Shenjiahuhang Expressway with a period of 25 years
“Valuation Benchmark Date”	June 30, 2022
“Valuation Report”	the valuation report dated September 1, 2022 prepared by Jones Lang LaSalle commissioned by the Company in relation to the entire equity interest of Shenjiahuhang Co
“Zhejiang SASAC”	the State-owned Assets Supervision and Administration Commission of the People’s Government of Zhejiang Province of the PRC*(中國浙江省人民政府國有資產監督管理委員會)

“Zhoushan Co” Zhejiang Zhoushan Bay Bridge Co., Ltd.(浙江舟山跨海大橋有限公司), a 51% owned subsidiary of Shenjiahuhang Co

“%” per cent

* *For identifications only.*

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

Hangzhou, the PRC, September 19, 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.

In compliance with Rule 14.60A of the Listing Rules, the text of the letter from Deloitte to the Directors confirming it has examined the calculations of the discounted future estimated cash flows for the Valuation Report, and the letter from the Board confirming that the Valuation Report has been made after due and careful enquiry, both dated September 19, 2022, for the purpose of, among others, inclusion in this announcement are reproduced below:

APPENDIX I – LETTER FROM DELOITTE

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN ZHEJIANG SHENJIAHUHANG EXPRESSWAY CO., LTD. (“SHENJIAHUHANG CO”)

TO THE DIRECTORS OF ZHEJIANG EXPRESSWAY CO., LTD. (THE “COMPANY”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated 1 September 2022 of the entire equity interest in Shenjiahuhang Co as at 30 June 2022 (the “Valuation”) is based. Shenjiahuhang Co is a company incorporated in the People’s Republic of China which is principally engaged in the operation and management of toll collection rights of Huzhou Section and Lianhang Section of the Shenjiahuhang Expressway. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement dated 19 September 2022 to be issued by the Company in connection with major transaction in relation to the proposed issuance of the ABS and the Equity Transfer Agreement (the “Announcement”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the “Principal assumptions for the income approach adopted for the Valuation Report” section of the Announcement (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Shenjiahuhang Co.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 September 2022

APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

Hong Kong Exchanges and Clearing Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

September 19, 2022

Dear Sirs,

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ISSUANCE OF THE ABS AND THE EQUITY TRANSFER AGREEMENT

We refer to the announcement of Zhejiang Expressway Co., Ltd. (the “**Company**”) dated September 19, 2022 (the “**Announcement**”) in relation to the caption matter and the valuation report dated September 1, 2022 (the “**Valuation Report**”) prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**Jones Lang LaSalle**”) in relation to the valuation of the entire equity interests in Shenjiahuhang Co.

We understand that Jones Lang LaSalle prepared the Valuation Report based on the discounted cash flow method, and constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We have reviewed and discussed the bases and assumptions upon which the valuation of the entire equity interest of Shenjiahuhang Co has been made with Jones Lang LaSalle, and reviewed the valuation for which Jones Lang LaSalle is responsible.

We have also considered the report from Deloitte Touche Tohmatsu dated September 19, 2022 regarding whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions set out in the Valuation Report. We have noted that the discounted future estimated cash flows do not involve the adoption of accounting policy.

On the basis of the foregoing, we are satisfied that the forecast included in the Valuation Report and the valuation therein prepared by Jones Lang LaSalle has been made after due and careful enquiry.

This letter is for the sole purpose of Rule 14.62(3) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with this letter.

Yours faithfully
On behalf of the Board
Zhejiang Expressway Co., Ltd.
YUAN Yingjie
Executive Director