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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)

**CONNECTED TRANSACTION
ACQUISITION OF 15.30% SHARES IN ZHESHANG INSURANCE**

ACQUISITION OF 15.30% SHARES IN ZHESHANG INSURANCE

The Board is pleased to announce that on December 7, 2022 (after trading hours), Shangsan Co, a subsidiary of the Company, has entered into the Share Transfer Agreement with Zhejiang Commercial Group, pursuant to which Zhejiang Commercial Group has conditionally agreed to sell and Shangsan Co has conditionally agreed to acquire all the 15.30% shares held by Zhejiang Commercial Group in Zheshang Insurance for a consideration of the Share Transfer of RMB790,245,000.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company, and thus is the controlling shareholder of the Company. As at the date of this announcement, Communications Group holds 100% interest in Zhejiang Commercial Group, and therefore Zhejiang Commercial Group constitutes a connected person of the Company, and the Share Transfer Agreement and the transactions thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Chapter 14 of the Listing Rules) of the Share Transfer is higher than 0.1% but lower than 5%, the Share Transfer is subject to the announcement and reporting requirements but exempt from independent shareholders' approval requirements in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on December 7, 2022 (after trading hours), Shangsans Co, a subsidiary of the Company, has entered into the Share Transfer Agreement with Zhejiang Commercial Group, pursuant to which Zhejiang Commercial Group has conditionally agreed to sell and Shangsans Co has conditionally agreed to acquire all the 15.30% shares held by Zhejiang Commercial Group in Zheshang Insurance for a consideration of the Share Transfer of RMB790,245,000.

SHARE TRANSFER AGREEMENT

The principal terms of the Shares Transfer Agreement are summarised below:

Signature Date: December 7, 2022 (after trading hours)

Parties:

- a. Transferor: Zhejiang Commercial Group, and
- b. Transferee: Shangsans Co

Subject Matter: Zhejiang Commercial Group has conditionally agreed to sell and Shangsans Co has conditionally agreed to acquire all the 15.30% shares held by Zhejiang Commercial Group in Zheshang Insurance, corresponding to 765,000,000 shares of Zheshang Insurance.

Consideration for the Transfer: Pursuant to the Share Transfer Agreement, the corresponding transfer price of the Subject Shares is RMB790,245,000, which was determined after taking into account (i) the appraised value of 100% shareholders' interest of Zheshang Insurance of RMB5,165.0 million as at the Valuation Benchmark Date under the market approach, and (ii) Zhejiang Commercial Group's shareholding of 15.30% in Zheshang Insurance, through mutual negotiation in accordance with the relevant regulatory requirements for the transfer of state-owned property rights and the Listing Rules.

Transition Period: Zhejiang Commercial Group undertakes that no profit distribution of any form will be made by Zheshang Insurance during the period from the Valuation Benchmark Date to the Completion Date of the Share Transfer.

The parties agreed that the profit and loss during the Transition Period of Zheshang Insurance would be attributed to Shangsans Co.

Arrangements for the Payment of the Consideration for the Share Transfer: Shangsang Co will pay the entire amount of the Share Transfer of RMB790,245,000 in one lump sum to Zhejiang Commercial Group within 5 business days after the Share Transfer Agreement has become effective. The consideration of the Share Transfer will be allocated from Shangsang Co's own funds.

Conditions Precedent: The Share Transfer Agreement shall be formed on the date on which it is signed by the legally authorised representatives of the parties and sealed with the official seals of both parties, and shall take effect on the date on which all of the following conditions are fulfilled:

- a. the Share Transfer has been approved by a majority of the shareholders of Zheshang Insurance other than Zhejiang Commercial Group, the relevant amendment to the articles of association have been considered and approved by the general meeting in accordance with the articles of association of Zheshang Insurance, and the shareholders other than Zhejiang Commercial Group have undertaken to waive their pre-emptive rights in respect of the transfer of the Subject Shares;
- b. the board of directors of Zhejiang Commercial Group has considered and approved the Shares Transfer;
- c. the board of directors of Communications Group has considered and approved the Shares Transfer;
- d. the Share Transfer under the Share Transfer Agreement has been considered and approved by the non-connected Directors of the Company at the Board meeting;
- e. the general meeting of Shangsang Co has considered and approved the Shares Transfer; and
- f. the Share Transfer and the qualification of Shangsang Co as a major shareholder of Zheshang Insurance have been approved by the China banking and insurance regulatory authorities.

GENERAL INFORMATION

The Company

The Company is a joint stock company with limited liability established in the PRC on March 1, 1997, the H Shares of which are listed on the Main Board of the Stock Exchange. The Company is principally engaged in investing, developing and operating high-grade roads in the PRC. The Group is also engaged in expressway-related development and operation, as well as securities business.

Shangsan Co

Shangsan Co is a limited liability company established in the PRC on January 1, 1998. As at the date of this announcement, Shangsan Co is a subsidiary of the Company owned as to approximately 51.00% of its equity interest. It is principally engaged in the operation of Shangsan Expressway.

Communications Group

Communications Group is a state-controlled 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, as well as logistics services and hotel operations.

Zhejiang Commercial Group

Zhejiang Commercial Group is a limited liability company established in the PRC on April 24, 1993 and is principally engaged in asset management, investment management, industrial investment and development, operation of import and export business, consultancy services and other businesses. As at the date of this announcement, Zhejiang Commercial Group is wholly owned by Communications Group.

Zheshang Insurance

Zheshang Insurance is a joint stock company with limited liability established in the PRC on June 25, 2009 and is principally engaged in property and casualty insurance, liability insurance, credit insurance and guarantee insurance, short-term health insurance and accidental injury insurance, re-insurance in connection with the above insurance businesses, insurance fund application business permitted under the national laws and regulations and other businesses approved by the China banking and insurance regulatory authorities. As at the date of this announcement, Communications Group directly and indirectly holds 60.1% of the shares of Zheshang Insurance through its subsidiaries, namely, Zhejiang Commercial Group, Zhejiang Economy Construction Investment Company Limited* (浙江省經濟建設投資有限公司) and Zhejiang Guoda Group Co., Ltd.* (浙江國大集團有限責任公司), and Zhejiang Commercial Group holds 15.30% shares of Zheshang Insurance. Save as disclosed in this announcement, to the best of the Directors' knowledge and belief and after making all reasonable enquiries, the remaining shareholders of Zheshang Insurance and their ultimate beneficial owners are independent of the Company and its connected person as at the date of this announcement.

According to the Valuation Report, the value of all shareholders' interest of Zheshang Insurance as at the Valuation Benchmark Date was RMB5,165.0 million. The audited net assets of Zheshang Insurance as at December 31, 2020 were RMB894.15 million and the audited net assets as at December 31, 2021 were RMB2,704.49 million. The audited profit before and after taxation of Zheshang Insurance for the two years ended December 31, 2020 and 2021 are set out below:

	For the year ended December 31, 2020 (Audited) RMB'0,000	For the year ended December 31, 2021 (Audited) RMB'0,000
Profit before taxation	1,803.89	(10,468.81)
Profit after taxation	<u>1,880.71</u>	<u>(10,468.81)</u>

Zhejiang Commercial Group is one of the promoters of Zheshang Insurance and has participated in several rounds of capital increase of Zheshang Insurance. The aggregate original cost of acquiring 765,000,000 shares of Zheshang Insurance by Zhejiang Commercial Group was RMB852.7 million.

REASONS FOR AND BENEFITS OF THE SHARE TRANSFER

The Directors are of the view that the Share Transfer is an investment within the existing financial business sector of the Company, which can enrich the financial business of the Company, create synergy effect with the securities business, provide more integrated financial services to the customers, build a more diverse financial business layout, and further enhance the brand influence of Zheshang, ultimately leading to a better development of the Company's financial business and generating new revenue contribution and creating more benefits for the shareholders.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better, in the ordinary course of the Company's business and in the interests of the Company and its shareholders as a whole.

As each of Mr. YU Zhihong, Mr. YUAN Yingjie, Mr. JIN Chaoyang, Mr. FAN Ye and Mr. HUANG Jianzhang is serving in Communications Group, they have abstained from voting on the relevant Board's resolutions. Save as disclosed above, none of the Directors has any material interest in the Share Transfer and none of the Directors is required to abstain from voting on the relevant Board's resolutions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company, and thus is the controlling shareholder of the Company. As at the date of this announcement, Communications Group holds 100% interest in Zhejiang Commercial Group, and therefore Zhejiang Commercial Group constitutes a connected person of the Company, and the Share Transfer Agreement and the transactions thereunder constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Chapter 14 of the Listing Rules) of the Share Transfer is higher than 0.1% but lower than 5%, the Share Transfer is subject to the announcement and reporting requirements but exempt from independent shareholders' approval requirements in accordance with the relevant requirements under Chapter 14A 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 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 state-controlled 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, the shares of which are listed on the main board of the Stock Exchange
“Completion Date”	the date on which Zheshang Insurance includes Shangsang Co as a shareholder holding the Subject Shares in its articles of association, after the amendment to the articles of association is considered and approved by the general meeting, and the business filing of the amendment of articles of association is completed
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	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 Hong Kong Stock Exchange since May 15, 1997 and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shangsan Co”	Zhejiang Shangsan Expressway Co., Ltd.* (浙江上三高速公路有限公司), a company established in the PRC and a subsidiary of the Company
“Share Transfer”	the share transfer pursuant to the Share Transfer Agreement
“Share Transfer Agreement”	the share transfer agreement entered into between Shangsan Co and Zhejiang Commercial Group on December 7, 2022, pursuant to which Zhejiang Commercial Group has conditionally agreed to sell and Shangsan Co has conditionally agreed to acquire all 15.30% shares of Zheshang Insurance held by Zhejiang Commercial Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Shares”	all the 15.30% shares held by Zhejiang Commercial Group in Zheshang Insurance which Zhejiang Commercial Group has conditionally agreed to sell and Shangsan Co has conditionally agreed to acquire, corresponding to 765,000,000 shares of Zheshang Insurance
“Transition Period”	the period from the Valuation Benchmark Date (exclusive) to the Completion Date (inclusive)
“Valuation Benchmark Date”	May 31, 2022
“Valuation Report”	valuation report issued by Tianyuan Appraisal Co., Ltd.* (天源資產評估有限公司) for the valuation of the value of the shareholders’ interest of Zheshang Insurance in respect of the Share Transfer (TYVBZ [2022] No. 0566)

- “Zhejiang Commercial Group” Zhejiang Commercial Group Co., Ltd.* (浙江省商業集團有限公司), a company established in the PRC in which Communications Group holds 100% interest as at the date of this announcement
- “Zheshang Insurance” Zheshang Property and Casualty Insurance Company Limited* (浙商財產保險股份有限公司), a company established in the PRC in which Zhejiang Commercial Group holds 15.30% interest as at the date of this announcement

* For identification purposes only.

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

Hangzhou, the PRC, December 7, 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.