
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in Zhejiang Expressway Co., Ltd., you should at once hand this Circular with the accompanying form of proxy(s) to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 0576)

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT WITH
ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.
(2) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION
(3) PROPOSED GENERAL MANDATE TO ISSUE H SHARES
AND
(4) NOTICES OF 2021 ANNUAL GENERAL MEETING,
H SHARES CLASS MEETING
AND DOMESTIC SHARES CLASS MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders of
Zhejiang Expressway Co., Ltd.**

八方 金融有限公司
OCTAL Capital Limited

A letter from the Board is set out on pages 5 to 19 of this Circular.

A letter from the Independent Board Committee is set out on page 20 of this Circular.

A letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this Circular.

The AGM, the H Shares Class Meeting and the Domestic Shares Class Meeting will be held at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China on June 20, 2022 at 10:00 a.m., on June 20, 2022 at 12:00 noon (or immediately after the conclusion or adjournment of the AGM) and on June 20, 2022 at 12:30 p.m. (or immediately after the conclusion or adjournment of the H Shares Class Meeting), respectively. The notices convening the AGM, the H Shares Class Meeting and the Domestic Shares Class Meeting are set out on pages 37 to 41, 42 to 43 and 44 to 45 of this Circular, respectively.

Whether or not you intend to attend the AGM, the H Shares Class Meeting and/or the Domestic Shares Class Meeting in person, you are requested to complete and return the accompanying proxy form(s) in accordance with the instructions printed thereon. In case of H Shares, the proxy form should be lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM and/or the H Shares Class Meeting (or any adjournment thereof). In case of Domestic Shares, the proxy form should be lodged with the Company's principal place of business in the PRC at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China, not less than 24 hours before the time for holding the AGM and/or Domestic Shares Class Meeting (or any adjournment thereof). Completion and delivery of the proxy form(s) will not preclude you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.

May 27, 2022

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DEFINITIONS

In this Circular, unless the context specifies otherwise, the following expressions shall have the meanings stated below:

“%”	per cent.
“AGM”	the 2021 annual general meeting of the Shareholders to be convened for the purposes of, among other things, the approval by the Independent Shareholders of the Revised Annual Caps and the approval of the proposed amendment to the Articles of Association, the notice of which is set out on pages 37 to 41 of this Circular
“annual cap(s)”	has the meaning ascribed to it under Rule 14A.53 of the Listing Rules
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會) of the PRC, which was merged with the China Insurance Regulatory Commission (中國保險監督管理委員會) to form the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) in 2018
“Circular”	this circular to the Shareholders
“Class Meetings”	the H Shares Class Meeting and/or the Domestic Shares Class Meeting
“Clearing Services”	the clearing services provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement and the New Financial Services Agreement
“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
“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 on March 1, 1997, the H Shares of which are listed on the Stock Exchange (stock code: 0576)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“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
“Deposit Services”	the cash deposit services provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement, the New Financial Services Agreement and the Supplemental Agreement
“Directors”	the directors of the Company
“Domestic Share(s)”	the ordinary domestic share(s) in the share capital of the Company with a nominal value of RMB1 per share, which are not listed on the Main Board of the Stock Exchange
“Domestic Shares Class Meeting”	the Domestic Shares class meeting of the Company to be held on June 20, 2022 at 12:30 p.m. (or immediately after the conclusion or adjournment of the H Shares Class Meeting) for the purpose of considering, and if thought fit, approving the matters contained in the “Notice of Domestic Shares Class Meeting” as set out in this Circular
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1 per share, which are listed on the Main Board of the Stock Exchange
“H Shares Class Meeting”	the H Shares class meeting of the Company to be held on June 20, 2022 at 12:00 noon (or immediately after the conclusion or adjournment of the AGM) for the purpose of considering, and if thought fit, approving the matters contained in the “Notice of H Shares Class Meeting” as set out in this Circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Pei Ker-Wei, Ms. Lee Wai Tsang, Rosa and Mr. Chen Bin
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the Revised Annual Caps

DEFINITIONS

“Independent Shareholders”	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Revised Annual Caps at the AGM, means the Shareholders other than Communications Group and its associates
“independent third party”	a party independent of and not connected with the Company, any of its subsidiaries or any of their respective Directors or substantial shareholders
“Latest Practicable Date”	May 24, 2022, being the latest practicable date for ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Services”	the loan services provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement, the New Financial Services Agreement and the Supplemental Agreement
“New Financial Services Agreement”	the financial services agreement dated March 25, 2022 entered into between the Company and Zhejiang Communications Finance, pursuant to which Zhejiang Communications Finance agreed to provide the Group with the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services, subject to the terms and conditions provided therein, as a renewal of the Previous Financial Services Agreement
“Other Financial Services”	the financial services (other than the Deposit Services, the Loan Services and the Clearing Services) provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement and the New Financial Services Agreement
“PBOC”	the People’s Bank of China
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this Circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)

DEFINITIONS

“Previous Financial Services Agreement”	the financial services agreement dated March 18, 2019 entered into between the Company and Zhejiang Communications Finance (as amended by the supplemental agreement dated March 18, 2019), pursuant to which Zhejiang Communications Finance agreed to provide the Group with the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services, subject to the terms and conditions provided therein
“Revised Annual Caps”	revised annual caps of the maximum daily aggregate outstanding balance of deposit for the Deposit Services under the New Financial Services Agreement at RMB3 billion for the years ending December 31, 2022, 2023 and 2024 and the period from January 1, 2025 to March 29, 2025 pursuant to the Supplemental Agreement
“Revised Credit Line”	revised daily aggregate outstanding balance of loans for the Loan Services under the New Financial Services Agreement at not less than RMB3 billion for the years ending December 31, 2022, 2023 and 2024 and the period from January 1, 2025 to March 29, 2025 pursuant to the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“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
“Supervisor(s)”	the supervisor(s) of the Company
“Supplemental Agreement”	a supplemental agreement to the New Financial Services Agreement to be entered into between the Company and Zhejiang Communications Finance for the purpose of the Revised Annual Caps and the Revised Credit Line
“Zhejiang Communications Finance”	Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a limited liability company incorporated in the PRC, which is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively

LETTER FROM THE BOARD



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)

Chairman of the Company
Mr. Yu Zhihong

Executive Directors:
Mr. Chen Ninghui
Mr. Yuan Yingjie

Non-executive Directors:
Mr. Jin Chaoyang
Mr. Fan Ye
Mr. Huang Jianzhang

Independent Non-executive Directors:
Mr. Pei Ker-Wei
Ms. Lee Wai Tsang, Rosa
Mr. Chen Bin

Registered Address:
12/F, Block A,
Dragon Century Plaza
1 Hangda Road
Hangzhou City, Zhejiang 310007
People's Republic of China

Principal Place of Business:
5/F., No. 2
Mingzhu International Business Center
199 Wuxing Road
Hangzhou
Zhejiang Province 310020
The People's Republic of China

May 27, 2022

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT WITH
ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.
(2) PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION
(3) PROPOSED GENERAL MANDATE TO ISSUE H SHARES
AND
(4) NOTICES OF 2021 ANNUAL GENERAL MEETING,
H SHARES CLASS MEETING
AND DOMESTIC SHARES CLASS MEETING**

1. INTRODUCTION

The purpose of this Circular is, among other things, to give you notices of the AGM and the Class Meetings and to provide you with information in relation to the resolutions to be proposed at the AGM and the Class Meetings to enable you to make an informed decision on whether to vote for or against those resolutions at the AGM and/or the Class Meetings.

LETTER FROM THE BOARD

2. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement of the Company dated March 25, 2022 relating to (i) the New Financial Services Agreement for the purpose of renewal of the Previous Financial Services Agreement; and (ii) the proposed Supplemental Agreement entered into between the Company and Zhejiang Communications Finance.

The followings are the principal terms of the New Financial Services Agreement:

- Date** : March 25, 2022
- Parties** : (i) The Company; and
(ii) Zhejiang Communications Finance
- Terms** : For the three years from March 30, 2022 to March 29, 2025
- Condition precedent** : The effectiveness of the New Financial Services Agreement is conditional upon the parties thereto having completed the respective required approval procedure (including but not limited to those required under the Listing Rules, if required) and the due signature of the New Financial Services Agreement.
- Principal services to be provided** : Pursuant to the New Financial Services Agreement, the services to be provided by Zhejiang Communications Finance to the Group include the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services. The financial services will be provided under the New Financial Services Agreement on a non-exclusive basis and the Group is entitled to determine whether to accept the financial services provided by Zhejiang Communications Finance or decide to accept the financial services provided by other financial institutions. The Group is not obliged to accept any financial services provided by Zhejiang Communications Finance under the New Financial Services Agreement.
- (i) *Deposit Services*

In respect of the provision of the Deposit Services under the New Financial Services Agreement, Zhejiang Communications Finance may provide current deposit, time deposit, call deposit or agreement deposit services to the Group. The maximum daily aggregate outstanding balance of deposits will not exceed RMB1.2 billion (including any interest accrued thereon). The Group is entitled to choose different types of deposit services.

LETTER FROM THE BOARD

(ii) Loan Services

In respect of the provision of the Loan Services under the New Financial Services Agreement, Zhejiang Communications Finance will grant integrated credit facilities of no less than RMB2.5 billion to the Group.

(iii) Clearing Services

In respect of the provision of the Clearing Services under the New Financial Services Agreement, Zhejiang Communications Finance will provide clearing services to the Group in connection with the making and receiving of payments and related ancillary services.

(iv) Other Financial Services

In respect of the provision of the Other Financial Services under the New Financial Services Agreement, the services to be provided by Zhejiang Communications Finance include, but not limited to; financial consulting service, letters of credit and related consulting services, entrusted loans, acceptance and discount of bills, provided that the services to be provided will be within the permitted business scope of Zhejiang Communications Finance as approved by CBRC.

The parties to the New Financial Services Agreement further agree to enter into separate agreements for the relevant financial services actually provided under the New Financial Services Agreement and such agreements shall accord with the principles and terms of the New Financial Services Agreement and be in compliance with the relevant legal requirements.

Basis of consideration : *(i) Deposit Services*

The interest rate to be paid by Zhejiang Communications Finance for the Group's deposits with Zhejiang Communications Finance will be determined based on the prevailing deposit interest rate promulgated by the PBOC for the same period and should not be lower than the deposit interest rates offered by the major commercial banks in the PRC for comparable deposits of comparable periods.

LETTER FROM THE BOARD

(ii) Loan Services

The interest rate to be charged by Zhejiang Communications Finance for loans granted to the Group by Zhejiang Communications Finance will be based on the prevailing interest rate promulgated by the PBOC from time to time and the then market condition, while it should not be higher than the lending interest rates charged by the major commercial banks in the PRC for comparable loans of comparable periods.

(iii) Clearing Services

The service fee to be charged by Zhejiang Communications Finance for the Clearing Services to be provided by Zhejiang Communications Finance to the Group will be agreed between the parties and should not be higher than the service fees charged by other financial institutions (being independent third parties) for comparable services in the PRC.

(iv) Other Financial Services

The service fee to be charged by Zhejiang Communications Finance for the Other Financial Services to be provided by Zhejiang Communications Finance to the Group will be agreed between the parties and should not be higher than the service fees charged by other financial institutions (being independent third parties) for comparable services in the PRC.

Governing Law : The laws of the PRC

As at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, Zhejiang Communications Finance is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively. Therefore, Zhejiang Communications Finance is a connected person of the Company and as a result, each of the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services contemplated under the New Financial Services Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

It is currently expected by the Company that the historical annual caps of the maximum daily aggregate outstanding balance of deposit for the Deposit Services under the Previous Financial Services Agreement will be insufficient to satisfy the Group's future needs. As such, the Company proposed to enter into the Supplemental Agreement upon obtaining the Independent Shareholders' approval, among other things, with the intention to increase the annual caps for the years ending December 31, 2022, 2023 and 2024 and the period from January 1, 2025 to March 29, 2025 for the Deposit Services under the New Financial Services Agreement.

This Circular will provide, among other things, further information about the Supplemental Agreement, the Revised Annual Caps, letters from the Independent Board Committee and the Independent Financial Adviser, a notice of AGM and other information as required under the Listing Rules.

3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are set out below:

Parties	:	(1)	The Company; and
		(2)	Zhejiang Communications Finance
Amendments to the original terms of the New Financial Services Agreement	:	(i)	The maximum daily aggregate outstanding balance of the Deposit Services will be revised to RMB3 billion; and
		(ii)	The amount of credit line for the Loan Services granted by Zhejiang Communications Finance will be revised to not less than RMB3 billion

Save for the Revised Annual Caps and the Revised Credit Line, all terms and conditions under the New Financial Services Agreement remain substantially unchanged. The Company will not enter into the Supplemental Agreement before obtaining the approval from the Independent Shareholders in respect of the Revised Annual Caps and the Supplemental Agreement at the AGM.

LETTER FROM THE BOARD

4. PROPOSED REVISED ANNUAL CAPS

(i) historical annual caps

The historical annual caps and the actual amounts of the maximum daily aggregate outstanding balance of deposit for the Deposit Services under the Previous Financial Services Agreement are as follows:

	Year ended December 31, 2019 (RMB'000) (audited)	Year ended December 31, 2020 (RMB'000) (audited)	Year ended December 31, 2021 (RMB'000) (audited)	Two months ended February 28, 2022 (RMB'000) (unaudited)
Historical annual caps for maximum daily aggregate outstanding balance of deposit	2,500,000	2,500,000	2,500,000	2,500,000
Maximum daily aggregate outstanding balance of deposit	2,488,973	2,481,689	2,483,914	2,495,057

(ii) Revised Annual Caps

It is currently expected that the annual caps of the maximum daily aggregate outstanding balance of deposit for the Deposit Services under the New Financial Services Agreement, will be insufficient to satisfy the Group's future needs. As such, the Company proposes to increase the annual caps for the maximum daily aggregate outstanding balance of deposits (including any interest accrued thereon) as follows:

	Year ending December 31, 2022 (RMB'000) (audited)	Year ending December 31, 2023 (RMB'000) (audited)	Year ending December 31, 2024 (RMB'000) (audited)	Period from January 1, 2025 to March 29, 2025 (RMB'000) (unaudited)
Revised Annual Caps for maximum daily aggregate outstanding balance of deposit	3,000,000	3,000,000	3,000,000	3,000,000

LETTER FROM THE BOARD

(iii) basis for determining the Revised Annual Caps

In determining the above proposed Revised Annual Caps, the Directors have taken into account of the followings:

- (a) during the term of the Previous Financial Services Agreement, the previous annual caps for the Deposit Services under the Previous Financial Services Agreement were almost fully utilised due to the increasing number of acquisitions during the period. After completion of the acquisitions, deposits of the target companies with Zhejiang Communications Finance will be counted into the maximum daily aggregate outstanding balance of deposits of the Group with Zhejiang Communications Finance, details of which are set out as below:

Name of acquired company	Date of acquisition	Cash and cash equivalent of the acquired company as at completion of the acquisition
Zhejiang Shenjiahuhang Expressway Co., Ltd.* (浙江申嘉湖杭高速公路有限公司)	April 9, 2019	RMB83,511,345.28
Zhejiang Zhoushan Bay Bridge Co., Ltd.* (浙江舟山跨海大桥有限公司)	April 9, 2019	RMB66,268,613.60
Zhejiang LongLiLiLong Expressway Co., Ltd.* (浙江龍麗麗龍高速公路有限公司)	January 19, 2021	RMB62,749,177.72
Jiaxing Zhajiasu Expressway Co., Ltd.* (嘉興市乍嘉蘇高速公路有限責任公司)	May 8, 2021	RMB65,164,833.77

The Company has carefully monitored and maintained the balance of deposits with Zhejiang Communications Finance so that the annual caps for the Deposit Services would not be exceeded. Meanwhile, it is expected that the business scale and profitability of the Company will be further improved and more expressway assets may be acquired from the Communications Group in the next few years. As such, it is expected that the amount of deposits in the forthcoming years will exceed the annual caps for the Deposit Services under the Previous Financial Services Agreement;

- (b) furthermore, during the term of the Previous Financial Services Agreement, the Company's growing demand for the Deposit Services was significant as the result of the expanding accumulated cash deposit and increasing revenue. Capped at the previous annual caps for the Deposit Services under the Previous Financial Services Agreement, the percentage of the deposit with Zhejiang Communications Finance and the total amount of deposit of the Company has tremendously descended from 70.5% in the first year, 58.3% in the second year, to 40.8% in the last year. Therefore, the annual caps for the Deposit Services need to be increased to reflect the increasing needs of the Company for the Deposit Services; and

LETTER FROM THE BOARD

- (c) the Company will continue to explore various investment opportunities by all means for further development and profitability enhancement, including but not limited to acquisition of expressways. In practice, newly acquired expressways usually would face with difficulties to obtain credit support from external commercial banks due to high asset-liability ratio. Zhejiang Communications Finance, being a non-banking financial institution, can offer support to other members of the Communications Group with favorable credit policies. The Company expects there will be an increasing demand on the Loan Services from Zhejiang Communications Finance in the forthcoming years. As such, increase in the annual caps for the Deposit Services will enable the Company to better utilize the financial services offered by Zhejiang Communications Finance.

To determine the interest rates to be paid by Zhejiang Communications Finance for the Group's deposits with Zhejiang Communications Finance, Zhejiang Communications Finance has considered the following factors, including amongst others: (i) the prevailing deposit interest rates promulgated by the PBOC for the same period and the same type which are considered as the benchmark rates for commercial banks in the PRC to make reference to when determining their deposit interest rates to offer their customers; (ii) same type of the deposit interest rates published by other major commercial banks in the PRC for the same period; and (iii) the scale and amount to be deposited with Zhejiang Communications Finance. Based on the above factors, the deposit interest rates to be offered by Zhejiang Communications Finance will be in line with or higher than the deposit interest rates offered by the major commercial banks in the PRC for comparable deposits of comparable periods pursuant to the New Financial Services Agreement. Apart from the above, no other adjustment factors will affect the interest rates to be paid by Zhejiang Communications Finance for the Group's deposits with Zhejiang Communications Finance.

(iv) internal control measures

In order to ensure that the annual caps for the Deposit Services under the New Financial Services Agreement will not be exceeded, both the Company and Zhejiang Communications Finance have adopted a few measures to monitor the daily balance of the deposits made by the Group with Zhejiang Communications Finance, including:

- (a) the management of the Group will review the daily report generated from the real-time system provided by Zhejiang Communicates Finance for the consideration of the overall funding position of the Group;
- (b) Zhejiang Communications Finance will provide the Company its (i) audited annual financial statements and unaudited interim financial statements once they are available; and (ii) financial information and regulatory indicators on quarterly basis in order to allow the Company to monitor and assess the financial position of Zhejiang Communications Finance;

LETTER FROM THE BOARD

- (c) Zhejiang Communications Finance will monitor the maximum daily balance of the deposits placed by the Group (including interest accrued thereon) on a daily basis to ensure that the aggregate daily balance of the deposits does not exceed the approved deposit cap;
- (d) the Group may at any time request for the deposited fund to be withdrawn from Zhejiang Communications Finance, partially or fully, at the Group's discretion, to ensure the liquidity and safety of the deposited fund;
- (e) Zhejiang Communications Finance will provide the Company and its subsidiaries a daily report on their deposited funds; and
- (f) the Company, as a shareholder of Zhejiang Communications Finance, has nominated a director to Zhejiang Communications Finance, in order to monitor, inspect, and control the risk management measures of Zhejiang Communications Finance from time to time.

As at the date of the AGM, it is expected that the transaction amount of the continuing connected transactions under the New Financial Services Agreement will not exceed the annual caps of RMB1.2 billion under the New Financial Services Agreement.

The Company and Zhejiang Communications Finance, upon the approval of the Revised Annual Caps by the Independent Shareholders, will continue to adopt the above measures to ensure that the Revised Annual Caps will not be exceeded.

The Company has also adopted a few internal control measures to monitor the pricing and terms of the transactions contemplated under the New Financial Services Agreement, including:

- (a) the finance management department of the Company has been assigned to be responsible for the frontline governance and monitoring for financial services management. Before the Company or any of its subsidiaries enters into any individual agreement for financial services with Zhejiang Communications Finance or other commercial banks or financial institutions in the PRC, the finance management department of the Company would consider factors, including but not limited to (i) the Group's expected cash flow; and (ii) the pricing terms offered by the Zhejiang Communications Finance and other commercial banks of the Group;
- (b) the finance management department of the Company will obtain not less than two quotations from other independent financial institutions which are leading licensed banks in the PRC for the same type of financial services with the same duration; and

LETTER FROM THE BOARD

- (c) the Company will compare and select the financial services provider that offers the most favorable terms to the Group, after which the finance management department of the Company will submit a financial services application to the senior management for review and the executive Director, who is in charge of the Group's finance management department, will grant the final approval.

(v) **deposit security assessment**

Pursuant to the articles of association of Zhejiang Communications Finance, its holding company, the Communications Group, will inject capital as required when Zhejiang Communications Finance is in financial difficulties, which provides sufficient liquidity guarantee for the deposit security of the Deposit Services provided by Zhejiang Communications Finance. As the leading platform for transportation related investment and financing in Zhejiang Province of the PRC, the Communications Group undertakes the functions of investment, financing, construction, operation and management of the expressways, railways within Zhejiang Province and important transportation infrastructure projects such as the construction of cross-regional rail transit and comprehensive transportation hubs. Communications Group is in healthy financial condition and continues to receive strong financial support from the local government and the traffic flow and toll income of major expressways of the Communications Group have been growing steadily which generates stable cash inflow. The long-term credit rating of the Communications Group is AAA with a stable outlook.

Zhejiang Communications Finance is under the supervision of the CBRC on its compliance and risk management. Zhejiang Communications Finance spares no efforts to establish comprehensive risk prevention and control system, improve the internal control procedures, strengthen professional compliance management and accountability. The overall risk control of Zhejiang Communications Finance is good and has exceeded expectations in certain regulatory parameters, details of which are provided as below:

Parameter	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Regulatory Standard
Capital adequacy ratio	11.36	14.29	15.05	>10.5
Balance of non-performing assets	0	0	0	<4
Balance of non-performing loans	0	0	0	<5
Guarantee ratio	11.87	13.86	48.85	<100
Investment ratio	61.78	60.1	52.16	<70
Ratio of borrowings from banks and other financial institutions	0	0	0	<100
Liquidity ratio	36.69	35.27	47.88	>25

LETTER FROM THE BOARD

In addition, Zhejiang Communications Finance utilises the settlement systems of major state-owned banks to conduct centralized management of funds. It has adopted multi-layer firewall architecture and intrusion detection technology to ensure the safe operation of the fund management system. In term of the risk management of its lending business, Zhejiang Communications Finance implements a management system where the review, authorization and approval of loan application are duly separately. A standardised system for credit rating, due diligence review and post-lending management has been well established to minimize the risk of non-performance.

5. REASONS FOR AND BENEFITS FOR REVISION OF THE ANNUAL CAPS

Compared to diversifying investments and distributing deposits with several financial institutions, the Company has a strong position to bargain for a more competitive interest rate if the investments are centralized and deposited with one or two selected financial institutions with an expectation of better return. As at the Latest Practicable Date, the deposit interest rates offered by Zhejiang Communications Finance to the Group represented approximately 130% to 140% of the prevailing deposit interest rates promulgated by the PBOC for the same type of deposits and the same periods. In addition, the deposit interest rates offered by Zhejiang Communications Finance should be in line with or higher than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods pursuant to the New Financial Services Agreement.

In addition, deposit with centralized funds is also beneficial for the Company to obtain a better loan interest rate. The average loan interest rate offered by Zhejiang Communications Finance to the Group was 3% or more lower than the benchmark market interest rate for the period from 2019 to 2021. The increase in annual caps for the Deposit Services will help the Company to raise more funds from Zhejiang Communications Finance with more favorable loan interest rates.

As mentioned in the paragraph headed “4. Proposed Revised Annual Caps”, the maximum daily aggregate balances of deposit of the Company accounted for approximately 99.6%, 99.3%, 99.4% and 99.8% of the previous annual caps of RMB2.5 billion for the Deposit Services under the Previous Financial Services Agreement for the years ended December 31, 2019, 2020 and 2021 and two months ended February 28, 2022, respectively. It is expected that the historical annual caps under the Previous Financial Services Agreement will be insufficient to satisfy the Group’s future needs. Accordingly, the Directors therefore propose to revise the annual caps to RMB3 billion for the maximum daily aggregate outstanding balance of deposits (including any interest accrued thereon) for the Deposit Services for the years ending December 31, 2022, 2023 and 2024 and the period from January 1, 2025 to March 29, 2025.

Taking into account of the above, the Directors (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on page 20 of this Circular) consider that the continuing connected transactions contemplated under the New Financial Services Agreement are fair and reasonable and on normal commercial terms in the ordinary course of business of the Company, and are in the interests of the Company and the Shareholders as a whole, and that the Revised Annual Caps are fair and reasonable.

LETTER FROM THE BOARD

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 meeting of the Board at which the Revised Annual Caps were considered and approved.

6. INFORMATION ON ZHEJIANG COMMUNICATIONS FINANCE

Zhejiang Communications Finance is a limited liability company incorporated in the PRC on November 9, 2012 and approved by CBRC as a non-banking financial institution on October 17, 2012 with a current registered capital of RMB5.23 billion. As at the Latest Practicable Date, Zhejiang Communications Finance is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively.

Zhejiang Communications Finance is principally engaged in the business of providing financial services to the subsidiaries of Communications Group, including but not limited to advising the subsidiaries of the Communications Group in relation to financing, letters of credit and other agency services; providing guarantees, accepting and discounting commercial notes, arranging for loans, and receiving deposits from the subsidiaries of Communications Group. During the three years ended 31 December 2021, Zhejiang Communications Finance continued its strong financial performance with consecutive double-digit annual growth in net profit and return on assets.

7. INFORMATION ON THE COMPANY

The Company is a joint stock limited 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.

8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the date of this announcement, Zhejiang Communications Finance is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively. Therefore, Zhejiang Communications Finance is a connected person of the Company.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps are more than 5%, the transactions contemplated under the Revised Annual Caps of the Supplemental Agreement constitute non-exempt continuing connected transactions subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

In addition, as one or more of the applicable percentage ratios in respect of the Revised Annual Caps are higher than 5% but lower than 25%, the transactions contemplated under the Revised Annual Caps of the Supplemental Agreement constitute discloseable transactions of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company should re-comply with the applicable requirements under Chapter 14A of the Listing Rules before the existing annual caps for the Deposit Services under the New Financial Services Agreement are exceeded.

The Group will be closely monitoring the deposit amounts under the Deposit Services to ensure that the existing annual caps under the New Financial Services Agreement are not exceeded before obtaining the approval from the Independent Shareholders in respect of the Revised Annual Caps at the AGM.

Subject to obtaining approval by Independent Shareholders at the AGM, the Revised Annual Caps will come into effect. A separate announcement will be made by the Company when the Revised Annual Caps come into effect in accordance with the Listing Rules.

9. PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

On 14 November 2019, the China Securities Regulatory Commission published on its official website the “Business Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies” (CSRC Announcement [2019] No. 22) (H股公司境內未上市股份申請「全流通」業務指引》(證監會公告[2019]22號)), which officially launched the full-scale implementation of the “Full Circulation” reform of H shares. In order to cater for the possible future arrangements for the “Full Circulation” of H shares of the Company, the Company proposes to amend the Articles of Association accordingly. The proposed amendment to the Articles of Association is set out in Appendix II to this Circular. According to the Articles of Association and the relevant laws and regulations, the proposed amendment to the Articles of Association are subject to consideration and approval by the Shareholders at the AGM, the H Shares Class Meeting and the Domestic Shares Class Meeting of the Company by way of special resolution.

The legal advisers to the Company as to Hong Kong laws and laws of the PRC have respectively confirmed that the proposed amendment to the Articles of Association to comply with the requirements of the Listing Rules and the applicable laws of PRC. The Company has confirmed that there is nothing unusual about the proposed amendments for a company incorporated in the PRC and listed on the Stock Exchange.

LETTER FROM THE BOARD

10. PROPOSED GENERAL MANDATE TO ISSUE H SHARES

In order to increase the flexibility and efficiency in operation, and to give discretion to the Board in the event that it becomes desirable to issue H Shares, the Company proposes to obtain the Shareholders' approval for the grant of the general mandate to separately or concurrently allot, issue and/or deal with additional H Shares up to the limit of 20% of the H Shares in issue on the date of the passing of the relevant resolution at the AGM. Any exercise of the power by the Directors under the general mandate shall comply with the relevant requirements of the Listing Rules, the Articles of Association and the applicable laws and regulations of the PRC.

The general mandate will be effective from the date of passing the relevant resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or other applicable laws to be held; or
- (c) the revocation or variation of the authority given to the Board under this resolution by special resolution of the Company in general meeting.

To timely and effectively promote relevant works, the Board will be authorized to grant the general mandate to the Chairman and General Manager to individually or jointly issue H Shares at their absolute discretion.

11. DECLARATION OF DIVIDEND

The Directors have resolved to recommend a dividend of RMB37.5 cents per share in respect of the year ended December 31, 2021. Upon obtaining the approval of Shareholders at the AGM, the dividend is expected to be paid to the Shareholders no later than July 31, 2022.

12. THE AGM, H SHARES CLASS MEETING AND DOMESTIC SHARES CLASS MEETING

The AGM, the H Shares Class Meeting and the Domestic Shares Class Meeting will be held at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China on June 20, 2022 at 10:00 a.m., on June 20, 2022 at 12:00 noon (or immediately after the conclusion or adjournment of the AGM) and on June 20, 2022 at 12:30 p.m. (or immediately after the conclusion or adjournment of the H Shares Class Meeting), respectively. The notices convening the AGM, the H Shares Class Meeting and the Domestic Shares Class Meeting are set out on pages 37 to 41, 42 to 43 and 44 to 45 of this Circular, respectively.

LETTER FROM THE BOARD

Whether or not you intend to attend the AGM, the H Shares Class Meeting and/or the Domestic Shares Class Meeting in person, you are requested to complete and return the accompanying form of proxy(s) in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM and/or the H Shares Class Meeting (or any adjournment thereof). In case of Domestic Shares, the proxy form should be lodged with the Company's principal place of business in the PRC at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, People's Republic of China, not less than 24 hours before the time for holding the AGM and/or the Domestic Shares Class Meeting (or any adjournment thereof). Completion and delivery of the form of proxy(s) will not preclude you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.

Pursuant to the Rule 2.15 of the Listing Rules, any shareholder with a material interest in the relevant transaction is required to abstain from voting on the resolution approving such transaction. Accordingly, Communications Group, being a controlling shareholder of the Company as at the Latest Practicable Date, together with its associates are required to abstain from voting on resolution no.8 at the AGM. Save as disclosed above, no other Shareholders are required to abstain from voting on the resolutions at the AGM.

13. OTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information set out in the appendices to this Circular and the notices of the AGM, the H Shares Class Meeting and the Domestic Shares Class Meeting.

By order of the board of Directors
Zhejiang Expressway Co., Ltd.
YU Zhihong
Chairman

*The English translation of the Chinese names in this letter, where indicated with * is included for identification purpose only and should not be regarded as the official English names of such Chinese names.*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

May 27, 2022

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT
WITH ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.**

We refer to the circular of the Company dated May 27, 2022 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you as to the fairness and reasonableness of the Revised Annual Caps and whether the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole. Octal Capital Limited (the “**Independent Financial Adviser**”) has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the recommendations from the Independent Financial Adviser are set out in its letter of advice on pages 21 to 36 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 1 to 19 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the Revised Annual Caps, and taken into account the advice from the Independent Financial Adviser and in particular the principal factors and reasons considered by the Independent Financial Adviser in respect of the Supplemental Agreement and the Revised Annual Caps as set out in its letter of advice, we are of the view that the Supplemental Agreement and the Revised Annual Caps are on normal commercial terms and is fair and reasonable and is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution set out in the notice of the AGM.

Yours faithfully,

Independent Board Committee

Mr. Pei Ker-Wei
*Independent non-executive
Director*

Ms. Lee Wai Tsang, Rosa
*Independent non-executive
Director*

Mr. Chen Bin
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Octal Capital Limited to the Independent Board Committee and Independent Shareholders prepared for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

27 May 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE SUPPLEMENTAL AGREEMENT WITH ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Supplemental Agreement and the Revised Annual Caps, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 27 May 2022 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

The Company entered into the New Financial Services Agreement with Zhejiang Communications Finance on 25 March 2022 for renewal of the terms of the Previous Financial Services Agreement for a term of three years from 30 March 2022. The Previous Financial Services Agreement has been expired on 29 March 2022.

The Company proposed to enter into the Supplemental Agreement to the New Financial Services Agreement with Zhejiang Communications Finance to, among others, increase the annual caps for the maximum daily aggregate outstanding balance of the deposits for the Deposit Services to RMB3 billion (including any interest accrued thereon) (i) for the period from the effective date of the Supplemental Agreement to 31 December 2022, (ii) for the years ending 31 December 2023 and 2024 and (iii) for the period from 1 January 2025 to 29 March 2025. The Company will not enter into the Supplemental Agreement before obtaining the approval from the Independent Shareholders in respect of the Supplemental Agreement and the Revised Annual Caps at the AGM.

As at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, Zhejiang Communications Finance is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively. Therefore, Zhejiang Communications Finance is a connected person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps are more than 5%, the transactions contemplated under the Revised Annual Caps of the Supplemental Agreement constitute non-exempt continuing connected transactions and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios in respect of the Revised Annual Caps are higher than 5% but lower than 25%, the transactions contemplated under the Revised Annual Caps of the Supplemental Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Pei Ker-Wei, Ms. Lee Wai Tsang, Rosa, and Mr. Chen Bin, has been established to advise the Independent Shareholders in relation to the Supplemental Agreement and the Revised Annual Caps. Our role as the Independent Financial Adviser is to provide independent opinion and recommendation to the Independent Board Committee and the Independent Shareholders on whether the Supplemental Agreement and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the continuing connected transaction in this regard. As at the Latest Practicable Date, we were not connected with the directors, chief executive and substantial shareholders of the Company or Zhejiang Communications Finance or any of their respective subsidiaries or their respective associates and do 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 persons to subscribe for securities in any member of the Group and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Revised Annual Caps. In the last two years, we have been engaged by the Company as the independent financial adviser in respect of a discloseable and connected transaction in relation to the acquisition of 30% interest in Zhejiang HangNing Expressway Co., Ltd. and the entire interest in Zhejiang LongLiLiLong Expressway Co., Ltd. ("**LongLiLiLong Expressways**") (details of which can be referred to the circular of the Company dated 7 December 2020). Under such appointment, we were required to express our opinion on and give recommendations to the independent board committee and the independent shareholders of the Company in respect of the above-mentioned connected transactions. Apart from normal professional fees paid or payable to us in connection with the appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Communications Group, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Supplemental Agreement and the Revised Annual Caps including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Communications Group, and any of their respective subsidiaries and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Supplemental Agreement and the Revised Annual Caps, we have taken the following factors and reasons into consideration:

1. Background of the Group and Zhejiang Communications Finance

(i) *Information of the Group*

The Company is a joint stock company incorporated in the PRC on 1 March 1997, the H Shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in investment, development, and operation of high-grade roads in the PRC. As at the Latest Practicable Date, the Group is operating nine expressways in which eight of them are located within Zhejiang Province and one expressway is situated within Anhui Province. The Group also carries on certain other businesses such as securities brokerage, investment banking, asset management, margin financing and securities lending.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below summarizes the audited financial information of the Group for the two years ended 31 December 2020 and 2021 (“FY2020” and “FY2021”, respectively) as extracted from the annual report of the Company for FY2021 (the “2021 Annual Report”).

	FY2020 <i>RMB million</i> (audited and restated) <i>(Note)</i>	FY2021 <i>RMB million</i> (audited)
Revenue	12,452	16,263
Gross profit	4,413	6,741
Profit attributable to shareholders of the Company	2,416	4,762

Source: 2021 Annual Report

Note: The financial information for FY2020 has been restated due to the adoption of Accounting Guideline 5 “Merger Accounting for Common Control” (“AG5”) issued by the Hong Kong Institute of Certified Public Accountants as the Company acquired LongLiLiLong Expressways from Communications Group in January 2021 and the Company and LongLiLiLong Expressways are under common control of Communications Group. Under AG5, the financial information of LongLiLiLong Expressways should be included in the consolidated financial statements of Group as if the acquisition had occurred from the date when LongLiLiLong has first come under control by Communications Group. Thus, the financial information of the Group for FY2020 has been restated to include the financial information of LongLiLiLong Expressways for FY2020.

FY2021 compared to FY2020

The revenue of the Group increased from approximately RMB12,452 million for FY2020 to approximately RMB16,263 million for FY2021, representing an increase of approximately RMB3,811 million or 30.6%. The increase in revenue was mainly due to (i) the toll-free policy imposed by the PRC government during the period from 8 February 2020 to 5 May 2020 reduced the revenue of FY2020; (ii) the traffic volume of the Group’s expressways recorded stable growth during FY2021; and (iii) additional revenue contributed by the newly acquired subsidiary, Jiaxing Zhajiasu Expressway Co. Ltd. (“**Zhajiasu Expressway**”), in May 2021. The gross profit increased from approximately RMB4,413 million for FY2020 to approximately RMB6,741 million for FY2021, representing an increase of approximately RMB2,328 million or 52.8%. The profit attributable to shareholders of the Company increased from approximately RMB2,416 million for FY2020 to approximately RMB4,762 million for FY2021, representing an increase of approximately RMB2,346 million or 97.1%. Such increment in profitability was mainly due to the significant increase in revenue and gross profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the table below, major items of the audited consolidated financial statement of the Group as at 31 December 2021 is summarized as below:

	As at 31 December 2021 <i>RMB million</i> (audited)
Expressway operating rights	26,053
Property, plant and equipment	5,020
Others	14,380
Non-current assets	45,453
Loans to customers arising from margin financing business	19,394
Financial assets at fair value through profit or loss	45,446
Bank balances and clearing settlement fund held on behalf of customers	38,393
Bank balance, clearing settlement fund, deposits and cash	
– restricted bank balances and cash	132
– time deposits with original maturity over three months	414
– cash and cash equivalents	17,154
Others	9,910
Current assets	130,843
Total assets	176,296
Bank and other bank borrowings	14,428
Bonds payable	17,193
Convertible bonds	1,715
Others	837
Non-current liabilities	34,173
Accounts payable to customers arising from securities business	38,069
Bank and other borrowings	2,316
Short-term financing note payable	7,941
Bonds payable	10,456
Financial assets sold under repurchase agreements	25,250
Others	13,668
Current liabilities	97,700
Total liabilities	131,873
Net current assets	33,143
Net assets	44,423

Source: 2021 Annual Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2021, the Group's total assets amounted to approximately RMB176,296 million in which the expressway operation rights (solely related to the toll road operation segment) amounted to approximately RMB26,053 million, representing approximately 14.8% of the total assets. The Group has cash and cash equivalents of approximately RMB17,154 million as at 31 December 2021, representing approximately 9.7% of the total assets. As at 31 December 2021, the Group had deposited approximately RMB2,461 million with Zhejiang Communications Finance (among of which approximately 55% were held as agreement deposits and approximately 45% was held as 7-day call deposits), representing approximately 14.3% of the cash and cash equivalents of the Group.

As at 31 December 2021, the Group's liabilities mainly include the bank and other bank borrowings, and bonds payables, which in aggregate amounted to approximately RMB44,393 million, representing approximately 33.7% of the total liabilities.

(ii) Information of Zhejiang Communications Finance

Zhejiang Communications Finance is a limited liability company established in the PRC on 9 November 2012 and is approved by the CBRC as a non-banking financial institution on 17 October 2012 with registered capital of RMB5.23 billion. As at the Latest Practicable Date, Zhejiang Communications Finance is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively.

Zhejiang Communications Finance is principally engaged in the business of providing financial services to the members of Communications Group, including but not limited to provisions of loans, deposit services, clearing services in relation to making and receiving payments and related ancillary services and financial consulting service, letters of credit and related consulting services, entrusted loans, acceptance and discount of bills. Zhejiang Communications Finance is under the supervision of CBRC on its compliance and risk management.

According to the audited financial information of Zhejiang Communications Finance provided by the Company, Zhejiang Communications Finance recorded total revenue of approximately RMB1,265 million, net interest income of approximately RMB1,020 million and net profit of approximately RMB766 million for the year ended 31 December 2021. As at 31 December 2021, Zhejiang Communications Finance recorded net asset value of approximately RMB7,483 million. As disclosed in the Letter from the Board, Zhejiang Communications Finance has also complied with and exceeded the regulatory parameters for the three years ended 31 December 2021.

In accordance with the Administrative Measures for the Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) (the “**Administrative Measures**”) revised and published by CBRC on 28 December 2006, Zhejiang Communications Finance is only allowed to provide financial services to members of Communications Group and does not provide financial services to entities outside Communications Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Deposit Services under the New Financial Services Agreement

Key terms of the Deposit Services under the New Financial Services Agreement are summarized as follows:

Date	:	25 March 2022
Parties	:	(1) the Company; and (2) Zhejiang Communications Finance
Term	:	For the three years from 30 March 2022 to 29 March 2025
Scope of Deposit Services	:	(1) Zhejiang Communications Finance provides current deposit, time deposit, call deposit and agreement deposit services to the Group. (2) The interest rates to be paid by Zhejiang Communications Finance for the Group's deposits with Zhejiang Communications Finance will be determined based on the prevailing deposit interest rates promulgated by PBOC for the same period and should not be lower than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods.

For details of the New Financial Services Agreement, please refer to the Letter from the Board.

3. Deposit Services under the Supplemental Agreement

The Company will not enter into the Supplemental Agreement before obtaining the approval from the Independent Shareholders in respect of the Supplemental Agreement and the Revised Annual Caps at the AGM.

Key terms of Deposit Services under the Supplemental Agreement are summaries as below:

Parties	:	(1) The Company; and (2) Zhejiang Communications Finance
Amendments to the original terms of the New Financial Services Agreement	:	The maximum daily aggregate balance of the Deposit Services will be revised to RMB3 billion

For details of the Supplemental Agreement, please refer to the Letter from the Board.

4. Reasons for and benefits of the Deposit Services

(i) Flexible treasury function with Zhejiang Communications Finance

Pursuant to the New Financial Services Agreement, the Group could utilize the financial services of Zhejiang Communications Finance on a voluntary basis and is not obliged to utilize any particular services from Zhejiang Communications Finance. Therefore, the members of the Group have its internal selection mechanism to identify the banks/financial institutions for the required financial services based on the terms and conditions offered. The member of the Group will obtain not less than two quotations from other independent financial institutions for the same type of Deposit Services with same duration and select the deposit service provider which offers the most favorable terms to the member of the Group.

(ii) Improved interest income and bargaining power with other financial institutions

As at 31 December 2019 and 2020, the cash of the Group held in Zhejiang Communications Finance were mainly placed as the agreement deposits, representing approximately 99% of total cash held in Zhejiang Communications Finance. As at 31 December 2021, approximately 55% and 45% of total cash held in Zhejiang Communications Finance were placed as agreement deposits and 7-day call deposit, respectively. Both agreement deposits and 7-day call deposits offered higher interests than that of demand deposits.

As set out in the Letter from the Board, the Company would have a stronger bargaining position for a more favorable deposit interest rate if the available cash is centralized and deposited with one selected financial institution in order to earn better returns on the deposits. As at the Latest Practicable Date, the deposit interest rates offered by Zhejiang Communications Finance to the Group was approximately 30% to 40% higher than the prevailing deposit interest rates promulgated by PBOC for the same type of deposits and the same periods. In addition, the deposit interest rates offered by Zhejiang Communications Finance should be in line with or higher than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods pursuant to the New Financial Services Agreement. Our independent analysis of the deposit rates offered by Zhejiang Communications Finance is set out in the section headed “*5.1 Pricing policy of the Revised Annual Caps*”. As such, the Group expects that higher interest income can be earned on the deposits through the favorable deposit rates offered by Zhejiang Communications Finance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Higher demand for Deposit Services

The Group's core toll road business has been improved in FY2021. During the year ended 31 December 2021, the Group completed acquisition of two expressways, LongLiLiLong Expressways and Zhajiasu Expressway. LongLiLiLong Expressways and Zhajiasu Expressway contributed an additional toll revenue of approximately RMB1,047 million for the year ended 31 December 2021 which increased the Group's short term cash availability. As advised by the management of the Company, the total toll revenue generated from the Group's core expressway operation in the PRC was approximately RMB9,607 million for the year ended 31 December 2021, which represented an increase of approximately 50.6% as compared to approximately RMB6,380 million (the revenue from LongLiLiLong Expressways was not included as the acquisition of LongLiLiLong Expressways completed in January 2021) for FY2020.

Besides, prior to the acquisition of the LongLiLiLong Expressways, the cash of LongLiLiLong Expressways has been deposited with Zhejiang Communications Finance because it is a member of Communications Group. After the acquisition, LongLiLiLong Expressways was consolidated into the Group and the Deposit Services provided by Zhejiang Communications Finance to LongLiLiLong Expressways was counted as the Group's Deposit Services and was subject to the annual caps under the Previous Financial Services Agreement. As at 31 December 2021, the cash and cash equivalent of LongLiLiLong Expressways and Zhajiasu Expressway were in aggregate amounted to approximately RMB105 million. We further noted that there are more available cash for short-term deposits arrangement. The cash and cash equivalent of the Group was approximately RMB17,154 million as at 31 December 2021, representing an increase of approximately 99.3% as compared to approximately RMB8,609 million as at 31 December 2020 (the cash and cash equivalent of LongLiLiLong Expressways was not included as the acquisition of LongLiLiLong Expressways completed in January 2021).

(iv) Lower business risk of Zhejiang Communications Finance

As Zhejiang Communications Finance is owned as to 20.08% by the Company, Zhejiang Communications Finance is an associate of the Company and the share of the profit of Zhejiang Communications Finance is recorded in the profit and loss statement of the Company. The management of the Company believes that obtaining financial services, in particular, the Deposit Services, with Zhejiang Communications Finance will ultimately benefit the Company as compared to obtaining similar services from other independent commercial banks in the PRC. Therefore, the management of the Company considers that placing deposits with Zhejiang Communications Finance is beneficial to the Company, and the Revised Annual Caps would allow the Company to enhance such deposit benefits and strengthen the centralized management of its funds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Zhejiang Communications Finance provides financial services only to members of Communications Group in accordance with the Administrative Measures, and is not allowed to provide financial services to entities outside Communications Group. Such measure reduces the business risks that Zhejiang Communications Finance may otherwise be exposed to if its customer bases can be extended to other entities not a member of Communications Group. Moreover, the Company is a substantial shareholder of Zhejiang Communications Finance and can regularly review the financial information of Zhejiang Communications Finance. The Company has more in-depth understanding into the operation risk and business risk of Zhejiang Communications Finance. Therefore, from the Company's risk control prospective, the business risk of Zhejiang Communications Finance to the Company is comparatively lower than that of independent commercial banks/financial institutions.

Having considered that (i) the centralisation of deposits would enable the Group with higher bargaining powers to obtain higher deposit interest rates from Zhejiang Communications Finance as compared to other independent commercial banks/financial institutions in the PRC for the same type of deposit under the same duration; (ii) the improvement of the Group's toll road business and acquisition of two new expressways increase the Group's short term cash availability; and (iii) Zhejiang Communications Finance is only allowed to provide financial services to the members of Communications Group and its business risk is relatively lower than other commercial banks/financial institutions which have a more diversified customer base, we considered that the Company has commercial rationale to enter into the Supplemental Agreement.

5. Revised Annual Caps

The table below sets forth the highest historical deposit balances placed by the Group with Zhejiang Communications Finance, annual caps and utilization rates for the years ended 31 December 2019, 2020, and 2021, and the period from 1 January 2022 to 28 February 2022 (collectively the "Review Period"):

	Year ended 31 December			Period from 1 January 2022 to 28 February
	2019 <i>RMB</i> <i>million</i>	2020 <i>RMB</i> <i>million</i>	2021 <i>RMB</i> <i>million</i>	2022 <i>RMB</i> <i>million</i>
Maximum daily aggregate outstanding balance of the Deposit Services	2,489.0	2,481.7	2,483.9	2,495.1
Annual caps under the Previous Financial Services Agreement	2,500.0	2,500.0	2,500.0	2,500.0
Utilization rate	99.56%	99.27%	99.36%	99.80%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the above table, we noted that the relevant utilization rates of the maximum daily aggregate balance of the Deposit Services were approximately 99.56%, 99.27% and 99.36% for the years ended 31 December 2019, 2020 and 2021 respectively, and 99.80% for the period from 1 January 2022 to 28 February 2022. During the Review Period, the approved annual caps are almost fully utilized.

Pursuant to the Supplemental Agreement, the Revised Annual Caps for the maximum daily aggregate outstanding balance of the Deposit Services for the year ending 31 December 2022, 2023, and 2024 and the period from 1 January 2025 to 29 March 2025 are set out in the table below.

	Year ending December 31			Period from 1 January 2025 to 29 March 2025
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Maximum daily aggregate outstanding balance of the Deposit Services	3,000 ¹	3,000	3,000	3,000

¹ *The revised annual cap of RMB3,000 million covers the period from the effective date of the Supplemental Agreement to 31 December 2022.*

5.1 Pricing policy of the Deposit Services

Pursuant to the New Financial Services Agreement, the interest rates offered by Zhejiang Communications Finance for the Group's deposits shall be determined based on the prevailing deposit interest rates promulgated by PBOC for the same period and should not be lower than the deposit interest rates offered by other major commercial banks in the PRC for comparable deposits of comparable periods.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained the current benchmark deposit interest rates promulgated by PBOC (“**PBOC Rates**”) and the deposit interest rates currently offered by Zhejiang Communications Finance:

	Current PBOC Rates (per annum) <i>(Note 1)</i>	Current rates offered by Zhejiang Communications Finance (per annum) <i>(Note 2)</i>	Current rates offered by Zhejiang Communications Finance is higher than Current PBOC Rates by (%)
Deposits			
<i>Call deposits</i>			
1 day	0.800	1.040	30
7 days	1.350	1.755	30
<i>Time deposits of lump sum deposits and withdrawal</i>			
3 months	1.100	1.540	40
6 months	1.300	1.820	40
1 year	1.500	2.100	40
2 years	2.100	2.940	40
3 years	2.750	3.850	40
<i>Agreement deposits</i>	1.150	1.495	30
<i>Demand deposits</i>	0.350	0.455	30

Notes:

1. *The standard rate of deposit was announced by PBOC with effective from 24 October 2015 and is allowed to have a certain percentage of upward adjustment subject to the commercial decision of financial institutions.*
2. *The current rates offered by Zhejiang Communications Finance was provided by Zhejiang Communications Finance to the Company on 31 December 2021.*
3. *The agreement deposit offers for corporate customer who places a minimum agreed amount of fund with the bank, the amount, which is in excess of the agreed amount of fund, will be accrued with the agreement deposits interest rate. The agreement deposit can be used freely by the corporate customer with no fixed deposit period.*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the deposit interest rates for call deposits, agreement deposits and demand deposits offered by Zhejiang Communications Finance is higher than the current relevant PBOC Rates by 30%, while the deposit interest rates for time deposits is higher than the current relevant PBOC Rates by 40%. The interest rates currently offered by Zhejiang Communications Finance are within the range allowed by PBOC. We were advised by the management of the Company that the interest rates offered by Zhejiang Communications Finance always makes reference to the PBOC Rates and the deposit interest rates published by other major commercial banks in the PRC.

As discussed in the section “4. Reasons for and benefits of the Deposit Services”, most of the deposits placed in Zhejiang Communications Finance was agreement deposits denominated in RMB, thus, for our due diligence purposes, we have reviewed the quotations of the interest rates of agreement deposits offered by two independent major commercial banks in the PRC to the Company, and we noted that the interest rates offered by Zhejiang Communications Finance are no less favorable in comparison. In addition, the Group may arrange different duration of deposits in RMB with Zhejiang Communications Finance based on its operation plan and cashflow position. Thus, we have also researched and obtained the recent RMB deposit interest rates with different duration offered by Zhejiang Communications Finance and eight independent commercial banks in the PRC (the “**Comparable Banks**”). The Comparable Banks included the principal banks of the Company and the top tier banks in the PRC, thus, we considered that the interest rates of the Comparable Banks are representative for this analysis. We noted that the interest rates offered by Zhejiang Communications Finance as mentioned above are no less favorable than the relevant interest rates offered by the Comparable Banks with similar deposit type and duration.

Having considered that (i) Zhejiang Communications Finance currently offers more favorable deposit rates to the Group as compared with the PBOC Rates; and (ii) the Company is required to compare the terms of Deposit Services offered by Zhejiang Communications Finance to the terms offered by other commercial banks/financial institutions and select the deposit services provider with the best available terms; we concur with the Directors’ view that the pricing policy of the Deposit Services under the New Financial Service Agreement is acceptable.

5.2 Bases and assumptions in determining the Revised Annual Caps

We have discussed with the management of the Company regarding the bases and assumptions in determining the Revised Annual Caps, and we understand that the Revised Annual Caps are determined with reference to the following factors:

- (i) The Group has been expanding its core toll road business progressively, and in particular, the acquisition of LongLiLiLong Expressways and Zhajiasu Expressway increased the Group’s short term cash availability. On the other hand, the acquisition of these two expressways companies increased the Group’s cash and cash equivalent balance by approximately RMB105 million as at 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) The historical utilization rates of the annual caps remained at high level and amounted to approximately 99.56%, 99.27%, and 99.36% for the year ended 31 December 2019, 2020 and 2021, respectively, and amounted to approximately 99.80% for the period from 1 January 2022 to 28 February 2022.
- (iii) The Group recorded total toll revenue of approximately RMB6,380 million (the revenue from LongLiLiLong Expressways was not included as the acquisition of LongLiLiLong Expressways completed in January 2021) and RMB9,607 million for the years ended 31 December 2020 and 2021, respectively, representing an increment of approximately 50.6%. As such, the management of the Company expects that the continuous growth in toll revenue, which is a daily recurring cash inflow in nature, will increase the Group's available cash significantly and will drive greater need for the Deposit Services. We also noted that the Group's cash and cash equivalents amounted to approximately RMB17,154 million as at 31 December 2021 which represents an increase of approximately 99.3% as compared to approximately RMB8,609 million as at 31 December 2020 (the cash and cash equivalents of LongLiLiLong Expressways was not included as the acquisition of LongLiLiLong Expressways completed in January 2021). The Group foresees that higher volume of available cash will be required to deposit in banks or Zhejiang Communications Finance to earn short term interest income rather than placing as idle cash. Hence, the Company considers that the annual caps under the Previous Financial Services Agreement are comparatively insufficient as compared to the amount of cash and cash equivalents the Group holds.

Taking into account of (i) the Group's progressive development on its core business; (ii) the historical high utilization rates of the annual caps for the Deposit Services placed with Zhejiang Communications Finance; (iii) the Group's steady and continuous growth in toll revenue; and (iv) the cash and cash equivalents of the Group as at 31 December 2021 represented approximately 5.7 times to the Revised Annual Caps, we are of the view that the Revised Annual Caps are justifiable.

6. Internal control and risk management measures of deposits management

We have discussed with the management of the Company and noted that the Company has adopted internal control measures to monitor the pricing and terms of the transactions contemplated under the New Financial Services Agreement.

The finance management department of the Company has been responsible for the frontline governance and monitoring for deposits management. Before the Company or any of its subsidiaries enters into any individual agreement for deposits with Zhejiang Communications Finance or other commercial banks or financial institutions in the PRC, the finance management department of the Company would consider factors, including but not limited to (i) the Group's expected cash flow; and (ii) the pricing terms offered by Zhejiang Communications Finance and other commercial banks of the Group. The finance management department of the Company will obtain not less than two quotations from other

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

independent financial institutions which are leading licensed banks in the PRC for the same type of Deposit Services with the same duration. The Company will compare and select the deposit service provider that offers the most favorable terms to the Group, after which the finance management department of the Company will submit a deposit service application to the senior management for review and the executive director, who is in charge of the Group's financial management, will grant the final approval.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged an auditor to perform independent review on all of the Company's continuing connected transactions, including the continuing connected transactions contemplated under the Previous Financial Services Agreement. We have obtained and reviewed the Auditor's letters for each of the three years ended 31 December 2019, 2020 and 2021 (the "**Auditor's Letters**") in respect of the continuing connected transactions of the Group. The management of the Company has confirmed that the auditor will perform the similar independent review and issue a letter in respect of the Company's continuing connected transactions for the three years ending 31 December 2024 upon the publication of annual report. The Auditor's Letters indicate that the review was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The Auditor's Letters were issued to the Independent Board Committee confirming, among others, that nothing has come to the auditor's attention that would cause them to believe that the transactions were not conducted in accordance with the agreement terms and the Revised Annual Caps have been exceeded.

In addition, as advised by the management of the Company, both the Company and Zhejiang Communications Finance have adopted additional risk management measures in relation to the provision of the Deposit Services in order to protect the interests of the Company and the Shareholders as a whole, which include:

1. Zhejiang Communications Finance shall provide its (i) audited annual financial statements and unaudited interim financial statements once they are available; and (ii) financial information and regulatory indicators on quarterly basis for the Company to monitor and assess the financial position of Zhejiang Communications Finance;
2. Zhejiang Communications Finance will monitor the maximum daily balance of the deposits placed by the Group (including interest accrued thereon) on a daily basis to ensure that the aggregate daily balance of the deposits does not exceed the approved deposit cap;
3. the Group may at any time request for the deposited fund to be withdrawn from Zhejiang Communications Finance, partially or fully, at the Group's discretion, to ensure the liquidity and safety of the deposited fund;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Zhejiang Communications Finance shall provide the Company and its subsidiaries a daily report on their deposited funds; and
5. the Company, as a shareholder of Zhejiang Communications Finance, has nominated a director to the board of Zhejiang Communications Finance, in order to monitor, inspect, and control the risk management measures of Zhejiang Communications Finance from time to time.

As at the Latest Practicable Date, the management of the Company are not aware of that Zhejiang Communications Finance had any material record of non-compliance on the relevant laws and regulations of the PRC.

OPINIONS AND RECOMMENDATION

Having considered the above principal factors and reasons, we concur with the Directors' view that (i) the terms of the Supplemental Agreement (including the Revised Annual Caps) are fair and reasonable; (ii) the Supplemental Agreement is on normal commercial terms or better, and in the ordinary and usual course of business of the Group; and (iii) the Supplemental Agreement is in the interests of the Company and Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend to the Independent Shareholders, to vote in favor of the relevant resolution in relation to the Supplemental Agreement and the Revised Annual Caps thereof at the AGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	Wong Wai Leung
Managing Director	Executive Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Listing Rules and the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible office of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

NOTICE OF ANNUAL GENERAL MEETING

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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)

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2021 annual general meeting (the “**AGM**”) of Zhejiang Expressway Co., Ltd. (the “**Company**”) will be held at 10:00 a.m. on Monday, June 20, 2022 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolutions:

AS ORDINARY RESOLUTIONS

1. to consider and approve the report of the directors of the Company for the year 2021;
2. to consider and approve the report of the supervisory committee of the Company for the year 2021;
3. to consider and approve the audited financial statements of the Company for the year 2021;
4. to consider and approve dividend of RMB37.5 cents per share in respect of the year ended December 31, 2021;
5. to consider and approve the final accounts of the Company for the year 2021 and the financial budget of the Company for the year 2022;
6. to consider and approve the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the Hong Kong auditor of the Company, and to authorize the board of directors of the Company (the “**Board**”) to fix their remuneration;
7. to consider and approve the re-appointment of Pan China Certified Public Accountants as the PRC auditor of the Company, and to authorize the Board to fix their remuneration;
8. to consider and approve the Supplemental Agreement and the revised annual caps for the Deposit Services under the Supplemental Agreement (as defined in the Circular of the Company dated May 27, 2022) at RMB3 billion for each of the years ending December 31, 2022, 2023 and 2024 and the period from January 1, 2025 to March 29, 2025.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL RESOLUTIONS

9. to consider and approve the grant of a general mandate to the Board to issue, allot and deal with additional H Shares (as defined in the Circular of the Company dated May 27, 2022) not exceeding 20% of the H Shares of the Company in issue and authorize the Board to make corresponding amendments to the articles of association of the Company (“**Articles of Association**”) as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of H Shares, the details are as follows:

“THAT

- (A) (a) subject to paragraph (c) and in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Articles of Association and the applicable laws and regulations of the People’s Republic of China, the exercise by the Board during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with, either separately or concurrently, additional H Shares of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorize the Board during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of H Shares of the Company allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with (whether pursuant to an option or otherwise) by the Board pursuant to the approval granted in paragraph (a) shall not exceed 20% of the aggregate nominal amount of H Shares of the Company in issue on the date of passing this resolution, other than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association; and

NOTICE OF ANNUAL GENERAL MEETING

(d) For the purpose of this special resolution:

“**Relevant Period**” means the period from the date of passing of this resolution until the earliest of:

- the conclusion of the next annual general meeting of the Company;
- the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or other applicable laws to be held; or
- the date on which the authority set out in this resolution is revoked or varied by a resolution of the shareholders at any general meeting of the Company.

“**Rights Issue**” means an offer of shares open for a period fixed by the directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

(B) The Board be authorized to make corresponding amendments to the Articles of Association as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in sub-paragraph (a) of paragraph (A) of this resolution.

(C) The Board is authorized to grant the general mandate to the Chairman and General Manager to individually or jointly issue H Shares at their absolute discretion.”

10. to consider and approve the amendments to the Articles of Association and relevant authorization.

By order of the Board
Zhejiang Expressway Co., Ltd.
Tony Zheng
Company Secretary

Hangzhou, PRC
May 27, 2022

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Registration procedures for attending the AGM

- (a) Holders of H shares of the Company (“**H Shares**”) and domestic shares of the Company (“**Domestic Shares**”) intending to attend the AGM should return the reply slip for attending the AGM to the Company by post or by facsimile (address and facsimile numbers are shown in paragraph 6(b) below) such that the same shall be received by the Company on or before June 19, 2022.
- (b) A shareholder or his/her/its proxy should produce proof of identity when attending the AGM. If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative shall produce proof of identity and a copy of the resolution of the board of directors or other governing body of such shareholder appointing such legal representative to attend the meeting.

2. Proxy

- (a) A shareholder eligible to attend and vote at the AGM is entitled to appoint, in written form, one or more proxies to attend and vote at the AGM on behalf of him/her/it. A proxy need not be a shareholder of the Company.
- (b) A proxy shall be appointed by a written instrument signed by the appointor or an attorney authorized by him/her/it for such purpose. If the appointor is a corporation, the same shall be affixed with the seal of such corporation, or signed by its director(s) or duly authorized representative(s). If the instrument appointing a proxy is signed by a person authorized by the appointor, the power of attorney or other authorisation document(s) shall be notarized.
- (c) To be valid, the power of attorney or other authorisation document(s) (which have been notarized) together with the completed form of proxy must be delivered, in the case of holders of Domestic Shares, to the Company at the address shown in paragraph 6(b) below and, in the case of holders of H Shares, to Hong Kong Registrars Limited at 17M Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, at least 24 hours before the time designated for holding of the AGM (or any adjournment thereof).
- (d) Any vote of the shareholders of the Company present in person or by proxy at the AGM must be taken by poll.

3. Book closing period

For the purpose of the AGM and to determine the shareholders who qualify for the proposed dividend, the register of members holding H Shares of the Company will be closed from June 15, 2022 to June 20, 2022 (both days inclusive), and from June 24, 2022 to June 29, 2022 (both days inclusive).

4. Last Day of Transfer and Record Date

Holders of H Shares who intend to attend the AGM and qualify for the proposed dividend must deliver all transfer instruments and the relevant shares certificates to Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Center, 183 Queen’s Road East, Hong Kong, at or before 4:30 p.m. on June 14, 2022 and on June 23, 2022, respectively.

For the purpose of the AGM and qualify for the proposed dividend, the record date will be June 20, 2022 and June 29, 2022, respectively.

5. Dividend Payable date

Upon relevant approval by shareholders at the AGM, the dividend is expected to be paid by no later than July 31, 2022.

NOTICE OF ANNUAL GENERAL MEETING

6. Miscellaneous

(a) The AGM will not last for more than one day. Shareholders who attend shall bear their own traveling and accommodation expenses.

(b) The principal place of business of the Company in the PRC is:

5/F, No. 2 Mingzhu International Business Center
199 Wuxing Road
Hangzhou City, Zhejiang Province
People's Republic of China
310020
Telephone No.: (+86)-571-8798 7700
Facsimile No.: (+86)-571-8795 0329

As at the date of this notice, 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.

NOTICE OF H SHARES CLASS MEETING

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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)

NOTICE OF H SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting (the “**H Shares Class Meeting**”) for holders of the H shares (“**H Shares**”) of Zhejiang Expressway Co., Ltd. (the “**Company**”) will be held on Monday, June 20, 2022 at 12:00 noon (or immediately after the conclusion or adjournment of the annual general meeting) at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People's Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolution:

SPECIAL RESOLUTION

1. to consider and approve the amendments to the articles of association of the Company and relevant authorization.

By order of the Board
Zhejiang Expressway Co., Ltd.
Tony Zheng
Company Secretary

Hangzhou, PRC
May 27, 2022

Notes:

1. Registration procedures for attending the H Shares Class Meeting

- (a) Holders of H Shares intending to attend the H Shares Class Meeting should return the reply slip for attending the H Shares Class Meeting to the Company by post or by facsimile (address and facsimile numbers are shown in paragraph 5(b) below) such that the same shall be received by the Company on or before June 19, 2022.
- (b) A shareholder or his/her/its proxy should produce proof of identity when attending the H Shares Class Meeting. If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative shall produce proof of identity and a copy of the resolution of the board of directors or other governing body of such shareholder appointing such legal representative to attend the meeting.

NOTICE OF H SHARES CLASS MEETING

2. Proxy

- (a) A shareholder eligible to attend and vote at the H Shares Class Meeting is entitled to appoint, in written form, one or more proxies to attend and vote at the H Shares Class Meeting on behalf of him/her/it. A proxy need not be a shareholder of the Company.
- (b) A proxy shall be appointed by a written instrument signed by the appointor or an attorney authorized by him/her/it for such purpose. If the appointor is a corporation, the same shall be affixed with the seal of such corporation, or signed by its director(s) or duly authorized representative(s). If the instrument appointing a proxy is signed by a person authorized by the appointor, the power of attorney or other authorisation document(s) shall be notarized.
- (c) To be valid, the power of attorney or other authorisation document(s) (which have been notarized) together with the completed form of proxy must be delivered, in the case of holders of H Shares, to Hong Kong Registrars Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, at least 24 hours before the time designated for holding of the H Shares Class Meeting (or any adjournment thereof).
- (d) Any vote of the shareholders of the Company present in person or by proxy at the H Shares Class Meeting must be taken by poll.

3. Book closing period

For the purpose of the H Shares Class Meeting, the register of members holding H Shares of the Company will be closed from June 15, 2022 to June 20, 2022 (both days inclusive).

4. Last Day of Transfer and Record Date

Holders of H Shares who intend to attend the H Shares Class Meeting must deliver all transfer instruments and the relevant shares certificates to Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Hong Kong, at or before 4:30 p.m. on June 14, 2022. For the purpose of the H Shares Class Meeting, the record date will be June 20, 2022.

5. Miscellaneous

- (a) The H Shares Class Meeting will not last for more than one day. Shareholders who attend shall bear their own traveling and accommodation expenses.
- (b) The principal place of business of the Company in the PRC is:

5/F, No. 2 Mingzhu International Business Center
199 Wuxing Road
Hangzhou City, Zhejiang Province
People's Republic of China
310020
Telephone No.: (+86)-571-8798 7700
Facsimile No.: (+86)-571-8795 0329

As at the date of this notice, 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.

NOTICE OF DOMESTIC SHARES CLASS MEETING

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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)

NOTICE OF DOMESTIC SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that the class meeting (the “**Domestic Shares Class Meeting**”) for holders of the domestic shares (“**Domestic Shares**”) of Zhejiang Expressway Co., Ltd. (the “**Company**”) will be held on Monday, June 20, 2022 at 12:30 p.m. (or immediately after the conclusion or adjournment of the H Shares Class Meeting) at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, the People’s Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolution:

SPECIAL RESOLUTION

1. to consider and approve the amendments to the articles of association of the Company and relevant authorization.

By order of the Board
Zhejiang Expressway Co., Ltd.
Tony Zheng
Company Secretary

Hangzhou, PRC
May 27, 2022

Notes:

1. Registration procedures for attending the Domestic Shares Class Meeting

- (a) Holders of Domestic Shares intending to attend the Domestic Shares Class Meeting should return the reply slip for attending the Domestic Shares Class Meeting to the Company by post or by facsimile (address and facsimile numbers are shown in paragraph 5(b) below) such that the same shall be received by the Company on or before June 19, 2022.
- (b) A shareholder or his/her/its proxy should produce proof of identity when attending the Domestic Shares Class Meeting. If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative shall produce proof of identity and a copy of the resolution of the board of directors or other governing body of such shareholder appointing such legal representative to attend the meeting.

NOTICE OF DOMESTIC SHARES CLASS MEETING

2. Proxy

- (a) A shareholder eligible to attend and vote at the Domestic Shares Class Meeting is entitled to appoint, in written form, one or more proxies to attend and vote at the Domestic Shares Class Meeting on behalf of him/her/it. A proxy need not be a shareholder of the Company.
- (b) A proxy shall be appointed by a written instrument signed by the appointor or an attorney authorized by him/her/it for such purpose. If the appointor is a corporation, the same shall be affixed with the seal of such corporation, or signed by its director(s) or duly authorized representative(s). If the instrument appointing a proxy is signed by a person authorized by the appointor, the power of attorney or other authorisation document(s) shall be notarized.
- (c) To be valid, the power of attorney or other authorisation document(s) (which have been notarized) together with the completed form of proxy must be delivered, in the case of holders of Domestic Shares, to the Company at the address shown in paragraph 5(b) below, at least 24 hours before the time designated for holding of the Domestic Shares Class Meeting (or any adjournment thereof).
- (d) Any vote of the shareholders of the Company present in person or by proxy at the Domestic Shares Class Meeting must be taken by poll.

3. Book closing period

For the purpose of the Domestic Shares Class Meeting, the register of members holding Domestic Shares of the Company will be closed from June 15, 2022 to June 20, 2022 (both days inclusive).

4. Last Day of Transfer and Record Date

Holders of Domestic Shares who intend to attend the Domestic Shares Class Meeting must deliver all transfer instruments and the relevant shares certificates to the Company's principal place of business in the PRC at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, People's Republic of China. For the purpose of the Domestic Shares Class Meeting, the record date will be June 20, 2022.

5. Miscellaneous

- (a) The Domestic Shares Class Meeting will not last for more than one day. Shareholders who attend shall bear their own traveling and accommodation expenses.
- (b) The principal place of business of the Company in the PRC is:

5/F, No. 2 Mingzhu International Business Center
199 Wuxing Road
Hangzhou City, Zhejiang Province
People's Republic of China
310020
Telephone No.: (+86)-571-8798 7700
Facsimile No.: (+86)-571-8795 0329

As at the date of this notice, 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.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests in the Company and its associated corporation**

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executives of the Company had an interest or short position in any shares, underlying shares or equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, Supervisors or chief executives of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(b) Substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, persons (other than the Directors and the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange, were set out as follows:

Name of substantial shareholder	Capacity	Number of Shares	Percentage of the issued share capital of the Company (domestic shares)
Communications Group	Beneficial owner	2,909,260,000	100%

Name of substantial shareholder	Capacity	Number of Shares	Percentage of the issued share capital of the Company (H Shares)
China Merchants Expressway Network & Technology Holdings Co., Ltd.	Beneficial owner	174,768,000(L)	12.19%
Citigroup Inc.	Interest of controlled corporations and approved lending agent	114,644,392(L) 15,729,204(S) 98,450,283(P)	7.99% 1.09% 6.86%
JPMorgan Chase & Co.	Interest of controlled corporations, investment manager, person having a security interest in shares and approved lending agent	114,562,876(L) 24,469,605(S) 56,506,645(P)	7.98% 1.70% 3.94%
BlackRock, Inc.	Interest of controlled corporations	114,372,062(L) 478,000(S)	7.98% 0.03%
The Bank of New York Mellon Corporation	Interest of controlled corporations	75,446,320(L) 66,173,809(P)	5.26% 4.62%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The letter "S" denotes the person's short position in such Shares.
- (3) The letter "P" denotes the person's interests in a lending pool.

Save as disclosed above, as at the Latest Practicable Date, no other persons had any interests or short positions in the shares or underlying shares of the Company that were required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange. Other than Mr. Yu Zhihong, Mr. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang who are currently also employed by the Communications Group, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date,

(a) Interests in service contracts

Each of the Directors and Supervisors has entered into a service agreement with the Company, which is effective from July 1, 2021 to June 30, 2024.

Save as disclosed above, none of the Directors or Supervisors had or was proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

(b) Interests in assets

None of the Directors or Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2021, being the date to which the latest published audited financial statements of the Group were made up.

(c) Interests in contracts or arrangements

None of the Directors or Supervisors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole.

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and their associates were appointed to represent the interests of the Company and/or the Group.

5. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, there was no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has provided its opinion or advice, which are contained in this Circular:

Name	Qualification
Octal Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, to the best knowledge of the Company, Octal Capital has no shareholding in any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Octal Capital is a third party independent of the Company and its connected persons.

Octal Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter in the form and context in which it is included.

The letter from Octal Capital is set out on pages 21 to 36 of this Circular and is given as at the date of this Circular for incorporation herein.

Octal Capital has not, or has not had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2021, the date to which the latest published audited accounts of the Group was made up.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since December 31, 2021, being the date to which the latest published audited financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.zjec.com.cn) for a period of not less than 14 days commencing from the date of this Circular:

- (a) the New Financial Services Agreement; and
- (b) the final draft of the Supplemental Agreement.

APPENDIX II PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION

In order to cater for the possible future arrangements for the “Full Circulation” of H shares of the Company, it is proposed to amend the Articles of Association as follow:

	Original Article	Proposed Amendment
Article 16	<p>The shares issued by the Company to domestic investors and subscribed for in Renminbi shall be called domestic invested shares. The shares issued by the Company to overseas investors and subscribed for in foreign currencies shall be called foreign invested shares. Foreign invested shares which are listed outside the PRC are known as overseas listed foreign invested shares.</p> <p>Foreign currencies referred to in the preceding paragraph shall mean the lawful currencies of other countries or regions, other than Renminbi, which are recognized by the State’s foreign exchange supervisory department and which may be used for payment of shares to the Company.</p>	<p>The shares issued by the Company to domestic investors and subscribed for in Renminbi shall be called domestic invested shares. The shares issued by the Company to overseas investors and subscribed for in foreign currencies shall be called foreign invested shares. Foreign invested shares which are listed outside the PRC are known as overseas listed foreign invested shares.</p> <p>Foreign currencies referred to in the preceding paragraph shall mean the lawful currencies of other countries or regions, other than Renminbi, which are recognized by the State’s foreign exchange supervisory department and which may be used for payment of shares to the Company.</p> <p><u>With the approval of the securities regulatory institution of the State Council, shareholders of the domestic invested shares of the Company may transfer all or part of their shares to foreign investors and have them listed and traded overseas; all or part of the domestic invested shares may be converted into foreign invested shares, and the converted foreign invested shares may be listed and traded on an overseas stock exchange. The transferred or converted shares shall be listed and traded on overseas stock exchanges and shall comply with the regulatory procedures, rules and requirements of overseas stock markets. A shareholders’ general meeting or class meeting is not required for listing and trading of the transferred shares on an overseas stock exchange or for the conversion of domestic invested shares into foreign invested shares and their listing and trading on an overseas stock exchange. Upon conversion of domestic invested shares into foreign invested shares listed overseas, the shares will be regarded as the same class of shares as the original foreign invested shares listed overseas.</u></p>

APPENDIX II PROPOSED AMENDMENT TO ARTICLES OF ASSOCIATION

	Original Article	Proposed Amendment
Article 17	Foreign invested shares listed in Hong Kong shall be called H shares. H shares means the shares which are approved to be listed on The Stock Exchange of Hong Kong Limited, whose par value is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.	Foreign invested shares <u>issued by the Company and listed on The Stock Exchange of Hong Kong Limited and domestic invested shares listed and traded on The Stock Exchange of Hong Kong Limited with the approval of the securities regulatory institution of the State Council</u> shall be called H shares. H shares means the shares which are approved to be listed on The Stock Exchange of Hong Kong Limited, whose par value is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.
Article 83	If the Company proposes to vary or revoke the rights of the class shareholders, the same can only be implemented after it has been passed by a special resolution at a shareholders' general meeting and also by the class shareholders so affected at the shareholders' meetings respectively convened in accordance with Articles 85 to 89 of these Articles of Association.	If the Company proposes to vary or revoke the rights of the class shareholders, the same can only be implemented after it has been passed by a special resolution at a shareholders' general meeting and also by the class shareholders so affected at the shareholders' meetings respectively convened in accordance with Articles 85 to 89 of these Articles of Association. <u>With the approval of the State Council or the securities regulatory institution authorised by the State Council, the transfer of all or part of the shares held by shareholders of the domestic invested shares of the Company to overseas investors, or the conversion of all or part of the domestic invested shares held by them into foreign invested shares and have them listed and traded on an overseas stock exchange shall not be deemed to be a proposed change or abrogation of the rights of the class shareholders of the Company.</u>

	Original Article	Proposed Amendment
Article 89	<p>Apart from the shareholders of other classes of shares, the shareholders of domestic invested shares and shareholders of overseas listed foreign invested shares are deemed to be different classes of shareholders.</p> <p>The special voting procedures of class shareholders shall not apply in the following circumstances:</p> <p>(1) where, with the approval by a special resolution at a shareholders' general meeting, the Company issues, either individually or concurrently, domestic invested shares and overseas listed foreign invested shares at an interval of twelve months, and the number of domestic invested shares and overseas listed foreign invested shares proposed to be issued does not exceed 20% of the issued domestic invested shares and 20% of the issued overseas listed foreign invested shares respectively; or</p> <p>(2) where the Company's plan to issue domestic invested shares and overseas listed foreign invested shares at the time of incorporation is implemented within fifteen months from the date of approval by the Securities Commission of the State Council.</p>	<p>Apart from the shareholders of other classes of shares, the shareholders of domestic invested shares and shareholders of overseas listed foreign invested shares are deemed to be different classes of shareholders.</p> <p>The special voting procedures of class shareholders shall not apply in the following circumstances:</p> <p>(1) where, with the approval by a special resolution at a shareholders' general meeting, the Company issues, either individually or concurrently, domestic invested shares and overseas listed foreign invested shares at an interval of twelve months, and the number of domestic invested shares and overseas listed foreign invested shares proposed to be issued does not exceed 20% of the issued domestic invested shares and 20% of the issued overseas listed foreign invested shares respectively; or</p> <p>(2) where the Company's plan to issue domestic invested shares and overseas listed foreign invested shares at the time of incorporation is implemented within fifteen months from the date of approval by the Securities Commission of the State Council.</p> <p>(3) <u>where, with the approval of the securities regulatory institution of the State Council, shareholders of domestic invested shares of the Company transfer their shares to foreign investors or domestic invested shares are converted into overseas listed foreign invested shares and these shares are listed and traded on an overseas stock exchange.</u></p>