

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement and the listing document attached hereto, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement and the listing document attached hereto.

This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company. This announcement and the listing document attached hereto are not, and are not intended to be, an offer of securities of the Company for sale, or the solicitation of an offer to buy securities of the Company, in the United States. The securities referred to in this announcement and the listing document attached hereto have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to registration requirements of the Securities Act. This announcement and the listing document attached hereto are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.

This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Notice to Hong Kong investors: With respect to the Bonds listed on The Stock Exchange of Hong Kong Limited, the Issuer confirms that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and are listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Company confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.



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)

PUBLICATION OF OFFERING CIRCULAR

Euro230 million zero coupon convertible bonds due 2026

Issue Price: 100 per cent.

(Stock Code: 40526)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



This announcement is made by Zhejiang Expressway Co., Ltd. (the “**Company**”) pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of Euro230 million zero coupon convertible bonds due 2026 (the “**Bonds**”) on The Stock Exchange of Hong Kong Limited dated 20 January 2021 published by the Company.

The offering circular dated 6 January 2021 in relation to the issuance of the Bonds is appended to this announcement.

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

Hangzhou, the PRC, 21 January 2021

As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive directors of the Company are: Mr. CHEN Ninghui and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. DAI Benmeng, Mr. YUAN Yingjie and Mr. FAN Ye; and the independent non-executive directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer as a result of such access.

Confirmation of Your Representation: By accepting the email and accessing the attached document you shall be deemed to have represented to the Issuer (as defined in the attached offering circular of the securities), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Limited and UBS AG Hong Kong Branch (the “**Joint Global Coordinators**”, the “**Joint Bookrunners** and the “**Joint Lead Managers**”) that (1) you are not in the United States and, to the extent you purchase the securities described in the attached offering circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and (2) you consent to the delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer of the securities or the Joint Lead Managers or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will provide a hard copy version to you upon request.

Restrictions: The attached document is an offering circular and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS. NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer of the securities or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and their respective affiliates on behalf of the Issuer in such jurisdiction. You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



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)

€230,000,000 Zero Coupon Convertible Bonds due 2026

Issue Price: 100 per cent.

The zero coupon convertible bonds due 2026 in the aggregate principal amount of €230,000,000 (the "Bonds") will be issued by Zhejiang Expressway Co., Ltd. (the "Company", the "Issuer", "we" or "us"). The issue price of the Bonds shall be 100 per cent. of the aggregate principal amount of the Bonds and the denomination of each Bond shall be €100,000 and integral multiples in excess thereof.

The Bonds constitute direct, senior unsubordinated, unconditional, and subject to, and to the extent provided under Condition 3.1 of the Terms and Conditions of the Bonds (the "Terms and Conditions" or the "Conditions"), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1 of the Conditions, at all times rank at least equally with all of its other present and future direct, senior, unsubordinated, unconditional and unsecured obligations.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed or purchased and cancelled) on or after 2 March 2021 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 January 2026 or if such Bond shall have been called for redemption by the Issuer before the Maturity Date (as defined below), then up to and including 3.00 p.m. (at the place aforesaid) on a date no later than 10 days prior to the date fixed for redemption thereof, into fully paid ordinary H shares with a par value of RMB1.00 each of the Issuer (the "H Shares") at an initial conversion price of HK\$8.83 per H Share with a fixed exchange rate of €1.00 to HK\$9.5145. The conversion price is subject to adjustment in the circumstances described under "Terms and Conditions of the Bonds – Conversion". The closing price of the H Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 5 January 2021 was HK\$6.54 per H Share.

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions of the Bonds, the Issuer will redeem each Bond at 100 per cent. of its outstanding principal amount on 20 January 2026 (the "Maturity Date"). On giving of not less than 30 nor more than 60 days' notice, the Issuer may, at any time after 20 January 2024 but prior to the Maturity Date, redeem all and not some only of the Bonds at their outstanding principal amount as at the relevant redemption date, provided that the Closing Price (as defined in the Conditions) of an H Share translated into Euro at the Prevailing Rate (as defined in the Conditions) applicable on the relevant H Share Stock Exchange Business Day (as defined in the Conditions) for any 20 H Share Stock Exchange Business Days within a period of 30 consecutive H Share Stock Exchange Business Days, the last of such H Share Stock Exchange Business Day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H Share Stock Exchange Business Day, at least 130 per cent. of the Conversion Price (as defined in the Conditions) then in effect, translated into Euro at the Fixed Exchange Rate (as defined in the Conditions). On giving of not less than 30 nor more than 60 days' notice, the Issuer may redeem all and not some only of the Bonds at their outstanding principal amount as at the relevant redemption date if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15 of the Terms and Conditions). At any time the Issuer may, having given not less than 30 nor more than 60 days' notice, redeem all but not some only of the Bonds at their outstanding principal amount as at the relevant redemption date, if the Issuer has or will become obliged to pay Additional Tax Amount (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations or the stating of an official position with respect thereto (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2021, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 20 January 2024 (the "Put Option Date") at their outstanding principal amount as at the Put Option Date. The Bonds may also be redeemed in whole but not some only at the option of the holders at their outstanding principal amount as at the Relevant Event Put Date (as defined in the Conditions) following the occurrence of a Relevant Event (as defined in the Conditions). See "Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation".

The Issuer has made an application for the filing registration (the "Pre-Issuance Registration") of the offering of the Bonds with the National Development and Reform Commission of the People's Republic of China or its local counterparts (the "NDRC") pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi (2015) No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資(2015)2044號)) promulgated by the NDRC on 14 September 2015 which came into effect immediately (the "Circular 2044"). The Issuer has received an Enterprise Foreign Debt Filing Registration Certificate (《企業借用外債備案登記證明》) dated 17 December 2019 and the extension document of the Enterprise Foreign Debt Filing Registration Certificate dated 3 November 2020 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the Circular 2044, the Issuer will be required to complete a post-issuance filing with the NDRC within a prescribed timeframe after the Issue Date.

Application has been made to the Hong Kong Stock Exchange for the permission to deal in, and for the listing of, the Bonds on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) ("Professional Investors") only. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be allotted and issued upon conversion of the Bonds. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Company confirms that the Bonds are intended for purchase by Professional Investors only and, where they are listed on the Hong Kong Stock Exchange, are so listed on that basis. Accordingly, the Company confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer as defined in the Listing Rules ("Connected Persons"). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and the Joint Lead Managers that it is not a Connected Person of the Issuer, and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer. Each prospective investor will be deemed to have agreed with the Issuer and each of the Joint Lead Managers that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission, disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Investing in the Bonds and the H Shares involves certain risks. Further, investors should be aware that the Bonds are convertible into the H Shares of the Company which involve risks relating to such H Shares and that there are various risks relating to the Bonds, the Company and its subsidiaries, and their business which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the H Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or other securities laws and, subject to certain exemptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the H Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular (this "Offering Circular"), see "Subscription and Sale".

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about 20 January 2021 (the "Issue Date") with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunner and Joint Lead Managers



IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the purpose of giving information with regard to the Company. The Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statements herein misleading.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Company, or the Company its subsidiaries and affiliates taken as a whole, the Bonds or the H Shares. The Bonds have not been approved or recommended by any regulatory authority in Hong Kong or elsewhere. No regulatory authority in Hong Kong or elsewhere has passed upon or endorsed the merits of this Offering or confirmed the accuracy or determined the adequacy of this offering circular. In making an investment decision, prospective investors must rely on their examination of the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole and the terms of this Offering, including the merits and risks involved.

The Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Company and to the Company and its subsidiaries taken as a whole (the “Group”), the H Shares and the Bonds which is material in the context of the issue and offering of the Bonds by the Company; (ii) the statements contained in this Offering Circular relating to the Company, and to the Group, are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Company and to the Group are honestly held, have been reached after considering all relevant circumstances and have been based on information presently available to the Company and on reasonable assumptions; (iv) there is no other material facts in relation to the Company, the Group, the H Shares or the Bonds the omission of which would, in the context of the issue and offering of the Bonds make any statement in the Offering Circular misleading; (v) all reasonable enquiries have been made by the Company to ascertain such facts in relation to the Company, the Group, the Bonds and the H Shares and to verify the accuracy of all such information and statements in relation to the Company, the Group, the Bonds and the H Shares as contained in the Offering Circular; and (vi) the Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the H Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the H Shares deliverable upon conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person has been or is authorised to give any information or to make any representation concerning the Company, the Group, the Bonds or the H Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Joint Lead Managers, The Bank of New York Mellon, London Branch as the trustee (the “Trustee”) or the Agents (as defined in the Conditions) or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase H Shares.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers). None of the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers) has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers) that any recipient of this Offering Circular should purchase the Bonds.

None of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers each person who controls any of them or their advisers are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be tax, legal or business advice. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

***Singapore SFA Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

In making an investment decision, investors must rely on their own examination of the Company, the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers) in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers) accepts any responsibility for the contents of this Offering Circular. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them and their advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers) undertakes to review the financial

condition or affairs of the Company or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers).

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Company or the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers, and none of the Company, the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes “*forward-looking statements*”. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Company’s and the Group’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company or the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negatives thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company’s or the Group’s control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Company’s and the Group’s present and future business strategies and the environment in which the Company or the Group will operate in the future. Important factors that could cause the Company’s or the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- industry risks;
- general economic, political, social conditions and developments in China;
- the Group’s business and operating strategies;
- the Group’s capital expenditure plans;
- various business opportunities that the Group may pursue;
- the Group’s operations and business prospects;
- the Group’s financial condition and results of operations;
- fluctuation in price and availability of raw materials;
- availability and charges of bank loans and other forms of financing;
- changes in competitive conditions and its ability to compete under these conditions;

- changes in currency exchange rates; and
- other factors beyond the Group's control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” and elsewhere in this Offering Circular. The Company caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. The Company does undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

PRESENTATION AND INCORPORATION OF FINANCIAL INFORMATION

The Company's consolidated financial information as at and for the years ended 31 December 2018 and 2019 have been extracted from the consolidated financial statements of the Company for the year ended 31 December 2019 (as disclosed on pages 102 to 111 of the Company's 2019 annual report), which have been audited by Deloitte Touche Tohmatsu, the independent auditors of the Company and incorporated by reference in this Offering Circular. The Company acquired 100% equity interest in Shenjiahuhang Co from Communications Group on 9 April 2019, and acquired 100% equity interest in Zhejiang Hotel from Zhejiang Shipping Group Co., Ltd., a wholly-owned subsidiary of the Communications Group, on 14 June 2019, respectively, which were regarded as business combinations involving entities under common control and were accounted for using merger accounting method. As a result, comparative figures for the year ended 31 December 2018 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position have been restated, in order to include the profits, assets and liabilities of the combining entities since the date on which they first come under common control. The Company prepares its consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). See “*Selected Consolidation Financial Information of the Company*” for details.

This Offering Circular also contains the Company's consolidated financial information as at and for the six months ended 30 June 2019 and 2020 (the “Company's Interim Financial Information”), which has been extracted from the consolidated financial statements for the six months ended 30 June 2020 (as disclosed on pages 23 to 56 on the Company's 2020 interim report), and is not audited nor reviewed by independent auditors. Such unaudited and unreviewed Company's Interim Financial Information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Company's or the Group's financial condition or results of operations. Such unaudited and unreviewed Company's Interim Financial Information as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial condition and results of operations for the Company or the Group for the full financial year ending 31 December 2020.

Copies of the Company's 2019 annual report and 2020 interim report can be downloaded from the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.zjec.com.cn> (the other contents of these websites do not form part of this Offering Circular).

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column. You should not construe any exchange rate translations as representations that the relevant exchange and amounts could actually be converted into the amounts expressed.

CERTAIN DEFINITIONS AND CONVENTIONS

In this Offering Circular, references to:

- the “Company”, the “Issuer”, “we” and “us” are to Zhejiang Expressway Co., Ltd. and, as the context requires, its predecessors and subsidiaries;
- the “Group” are to the Company and its subsidiaries;
- the “PRC” or “China” for the purposes of this Offering Circular are to the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan;
- “U.S.”, “U.S.A.” and “United States” refers to the United States of America;
- “US\$” and “USD” are to United States dollars, the official currency of the United States of America;
- “€” and “Euro” are to Euro, the official currency of the Eurozone;
- “HK\$” and “HK dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region; and
- “CNY”, “RMB” or “Renminbi” are to Renminbi, the official currency of the PRC.

TABLE OF CONTENTS

| | <i>Page</i> |
|--|-------------|
| Summary | 1 |
| Recent Developments | 3 |
| The Offering | 4 |
| Selected Consolidated Financial Information of the Group | 11 |
| Definitions | 15 |
| Risk Factors | 17 |
| Terms and Conditions of the Bonds | 44 |
| Description of the Global Certificate | 86 |
| Use of Proceeds | 88 |
| Capitalisation of the Group | 89 |
| Description of the Group | 90 |
| Directors, Supervisors and Senior Management | 119 |
| Market Price Information | 126 |
| Exchange Rate | 127 |
| Dividends | 129 |
| Substantial Shareholders' and Directors' Interests and Share Profits | 130 |
| Description of the Shares | 132 |
| Taxation | 135 |
| Subscription and Sale | 140 |
| General Information | 146 |

SUMMARY

The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including “Risk Factors”, to determine whether an investment in the Bonds is appropriate.

Overview

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating of high-grade roads. The Company and its subsidiaries also carry out securities business and certain ancillary businesses such as hotel business and sales of ancillary apartments.

Major assets under management of the Group include the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 141 km Shangsang Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway, the 82 km Huihang Expressway, the 92.9 km Shenjiahuhang Expressway and the 46.3 km Zhoushan Bay Bridge, and ancillary facilities along the six expressways and one bay bridge. Apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the five expressways and one bay bridge operated by the Group are situated within Zhejiang Province in the PRC. As at 30 June 2020, total assets of the Company and its subsidiaries amounted to RMB115,893.0 million. In addition, the Group also conducts the securities business through one of the Company’s subsidiaries, Zheshang Securities which was listed on Shanghai Stock Exchange (Stock Code: 601878).

The Company was incorporated on 1 March 1997 as the main vehicle of the People’s Government of Zhejiang Province for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province.

Incorporated on 29 December 2001, Communications Group, the controlling shareholder of the Company, is a provincial-level transportation company which is wholly-owned by the State and established by the People’s Government of Zhejiang Province. It mainly operates a diversity of businesses, such as investment and financing, construction, operation and management of transport related fundamental facilities including expressways, railroads, key cross-region mass transit railways and integrated transport hubs.

The H Shares of the Company, which represent approximately 33.0% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on 15 May 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on 5 May 2000.

On 14 February 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares, with the Bank of New York as the depository, was established in the United States and became effective.

With a solid foundation built on the Group’s expressway business, the Company will expand its main businesses scale, enhance its core competitiveness, and grow its financial and securities business so as to increase its profit contribution to the Group. In addition, the Company will seize investment opportunities to acquire new projects, and strive to develop the Company into an international investment holdings company with a primary focus on expressway infrastructure investment and operation.

As of the date of this Offering Circular, the Group operates in the following business segments:

- (i) Toll operation – the operation and management of high grade roads and the collection of the expressway tolls.
- (ii) Securities business – the provision of securities broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.
- (iii) Other operation – the operation of hotel and road construction.

Competitive Strengths

The Group believes that the following competitive strengths have contributed to its success and will continue to help maintain its leading market position and future prospects:

- sustained and steady development potentials in China’s expressway industry;
- leading industry position, high-quality expressway assets and distinct regional advantages;
- sufficient shareholder resources and strong support from the government;
- strong securities business that effectively supplements the Group’s business structure;
- steady business performance, sustainable cash flow, healthy capital structure and diversified financing channels; and
- efficient corporate governance and experienced management team.

Strategies

By following market-oriented and innovation-driven strategies and seizing market opportunities, the Group plans to reinforce and further enhance its core toll road business, while exploring and identifying opportunities in new industries to achieve the sustainable development of the Group. The Group expects to focus on the following strategies:

- continue to expand core expressway business;
- continue to strengthen securities business;
- cultivate and develop new businesses;
- improve application of scientific and information technologies;
- enhance management capabilities in investments and financing; and
- strengthen organisational capability and develop talent team.

RECENT DEVELOPMENTS

Partial Early Redemption of the Convertible Bonds

On 6 May 2020, the Company made an early redemption of part of the outstanding Euro365 million zero coupon convertible bonds due 2022 issued by the Company on 21 April 2017 at the principal amount of Euro364.9 million. Immediately after the early redemption, the outstanding convertible bonds in the principal amount were Euro100,000 with the rights to convert into 73,096 H shares (assuming at the prevailing conversion price of HK\$11.35 per H share), representing 0.0051% of the issued H share capital of the Company as at the date of this Offering Circular.

Acquisition of Interests in Zhejiang HangNing Expressway Co., Ltd. (“HangNing Co”) and Zhejiang LongLiLiLong Expressway Co., Ltd. (“LongLiLiLong Co”)

On 10 November 2020, the Company and Communications entered into two equity purchase agreements in which (1) Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire 30% equity interest in HangNing Co at the consideration of RMB2,685 million; and (2) Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in LongLiLiLong Co at the consideration of RMB238.14 million.

HangNing Co is principally engaged in the operation and management of toll rights of Zhejiang Section of the HangNing Expressway with a total length of 98.961 km, a two-way four-lane expressway with designed speed limit of 120 km/h. LongLiLiLong Co is principally engaged in the operation and management of toll collection rights of the LongLiLiLong Expressways located in Zhejiang Province, the PRC, with a total length of 222.2 km.

The abovementioned acquisitions have been approved by independent Shareholders during the extraordinary general meeting on 23 December 2020. The Company believes that upon completion of the abovementioned acquisitions, the Company could be benefitted from the strong government relations of Communications Group and expand the Company’s tolled expressway network in Zhejiang Province with lower costs.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. For a more complete description of the Bonds, please refer to the section of this Offering Circular entitled “Terms and Conditions of the Bonds.” Phrases used in this summary and not otherwise defined shall have the meaning given to them in the section entitled “Terms and Conditions of the Bonds”.

| | |
|----------------------------------|--|
| Company | Zhejiang Expressway Co., Ltd. |
| Bonds | €230,000,000 zero coupon convertible bonds due 2026 convertible at the option of the holder thereof into fully-paid ordinary H Shares at the initial conversion price of HK\$8.83. The issue of the Bonds was approved by the resolutions of the Board of Directors of the Company passed on 31 October 2019 and by the Shareholders at the extraordinary general meeting of the Company held on 23 December 2019. |
| H Share(s) | Ordinary shares with a par value of RMB1.00 each issued by the Issuer to investors outside the PRC and which as at the Issue Date have been approved to be primarily listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars (ISIN: CNE100000454). |
| Domestic Invested Share(s) | Ordinary shares with a par value of RMB1.00 each issued by the Issuer to investors within the PRC. |
| Shares | The H Shares, the Domestic Invested Shares (as defined in the Conditions) and any other fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorised after the date of the issue of the Bonds which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer. |
| Issue Price | The Bonds will be issued at 100 per cent. of their principal amount. |
| Issue Date | 20 January 2021. |
| Maturity Date | 20 January 2026. |
| Rate of Interest | The Bonds do not bear any interest. |

| | |
|-------------------------------|---|
| Status of the Bonds | The Bonds constitute direct, senior, unsubordinated, unconditional, and (subject to, and to the extent provided under, the provisions of Condition 3.1) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1, at all times rank at least equally with all of the Issuer’s other present and future direct, senior, unsubordinated, unconditional and unsecured obligations. |
| Conversion Right | The Bonds are convertible by Bondholders into H Shares, at any time on or after 2 March 2021 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 January 2026 or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including 3:00 p.m. (at the place aforesaid) on a date no later than 10 days prior to the date fixed for redemption thereof. |
| Conversion Price | The Conversion Price (as defined in the Conditions) will initially be HK\$8.83 per H Share but will be subject to adjustment in the manner provided in the Conditions. See “ <i>Terms and Conditions of the Bonds – Conversion</i> ”. |
| Negative Pledge | So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not create or permit to subsist, and shall procure that no Principal Subsidiary (as defined in the Conditions) will create, or have outstanding, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Investment Securities (as defined in the Conditions) or to secure any guarantee of or indemnity in respect of any Investment Securities, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Investment Securities, guarantee or indemnity or (ii) such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders. See “ <i>Terms and Conditions of the Bonds – Covenants – Negative Pledge</i> ”. |

| | |
|--|--|
| Cash Settlement | Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, in lieu of delivery of some or all of the H Shares required to be delivered upon exercise of a Conversion Right, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in Euro equal to the product of (i) the number of H Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice (as defined in the Conditions) applies, and in respect of which the Issuer has elected the Cash Settlement Option (as defined in the Conditions) and (ii) the arithmetic average of the Volume Weighted Average Price (as defined in the Conditions) of the H Shares for each day during the 20 consecutive H Share Stock Exchange Business Days immediately after the Cash Settlement Notice Date (as defined in the Conditions), converted from HK dollars into Euro at the Prevailing Rate on the Cash Settlement Notice Date. |
| Redemption at Maturity | Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Issuer will redeem each Bond at 100 per cent. of its outstanding principal amount on 20 January 2026. |
| Redemption for Taxation Reasons | <p>The Issuer may, having given not less than 30 nor more than 60 days' notice, redeem all but not some only of the Bonds at their outstanding principal amount as at the relevant redemption date, if (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations or the stating of an official position with respect thereto (including a holding, judgement or order by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2021, and (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, <i>provided</i> that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.</p> <p>If the Issuer gives such notice of redemption, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed. In that case, all payments made to an electing Bondholder after the Tax Redemption Date will be made subject to the deduction or withholding of the tax required to be withheld or deducted and no Additional Tax Amounts will be paid with respect thereto.</p> |

Redemption at the Option
of the Issuer

On giving not less than 30 nor more than 60 days’ notice, the Issuer may, at any time after 20 January 2024 but prior to the Maturity Date, redeem all and not some only of the Bonds at. of their outstanding principal amount as at the relevant redemption date, provided that the Closing Price of an H Share translated into Euro at the Prevailing Rate (as defined in the Conditions) applicable on the relevant H Share Stock Exchange Business Day for any 20 H Share Stock Exchange Business Days within a period of 30 consecutive H Share Stock Exchange Business Days, the last of such H Share Stock Exchange Business Day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H Share Stock Exchange Business Day, at least 130 per cent. of the Conversion Price then in effect, translated into Euro at the Fixed Exchange Rate.

On giving of not less than 30 nor more than 60 days’ notice, the Issuer may redeem all and not some only of the Bonds at their outstanding principal amount as at the relevant redemption date if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15).

Redemption for
Relevant Events

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder’s option, to require the Issuer to redeem all but not some only of such holder’s Bonds on the Relevant Event Put Date at their outstanding principal amount as at the Relevant Event Put Date.

“Relevant Event” means the occurrence of any of (i) a Change of Control (as defined in the Conditions) in the Issuer, (ii) a Delisting (as defined in the Conditions) or (iii) an H Share Suspension in Trading (as defined in the Conditions).

Redemption at the Option
of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem the whole or some only of such holder’s Bonds on 20 January 2024 (the “Put Option Date”) at their outstanding principal amount as at the Put Option Date. See “*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders*”.

| | |
|--|---|
| Events of Default | The Bonds may be accelerated in the event of, <i>inter alia</i> , a default relating to the Issuer or any of its Subsidiaries (as defined in the Conditions) in respect of indebtedness, the aggregate amount of which equals or exceeds US\$50 million or its equivalent in any other currency. For a description of certain other events that will permit acceleration of repayment of principal and premium of the Bonds, see “ <i>Terms and Conditions of the Bonds – Events of Default</i> ”. |
| Form and Denomination of Bonds | The Bonds will be issued in registered form in denominations of €100,000 each and integral multiples in excess thereof. The Bonds will upon issue be represented by the Global Certificate which on the Issue Date will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream. |
| Clearance | The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. |
| Global Certificate | For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by or on behalf of Euroclear and Clearstream, payments of principal and premium in respect of the Bonds represented by the Global Certificate will be made to the person shown as the Bondholder in the register of Bondholders at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payment, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures for the time being of the relevant clearing systems. |
| Selling Restrictions | There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, Switzerland and the Netherlands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see “ <i>Subscription and Sale</i> ”. |
| Listing of the Bonds | Application has been made to the Hong Kong Stock Exchange for listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. |

| | |
|--|---|
| Listing of the H Shares | The H Shares are listed on the Hong Kong Stock Exchange. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued upon conversion of the Bonds and formal permission is expected to become effective on or around 21 January 2021. |
| Trustee | The Bank of New York Mellon, London Branch. |
| Principal Agent | The Bank of New York Mellon, London Branch. |
| Transfer Agent and Registrar | The Bank of New York Mellon SA/NV, Luxembourg Branch. |
| Governing Law | The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, English law. |
| Use of Proceeds | The Company intends to use the net proceeds from the issue of the Bonds for repaying existing borrowings. |
| Issuer Lock-up | The Issuer has undertaken to the Joint Lead Managers that neither the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers between 5 January 2021 and the date which is 90 days after the Issuer Date (both dates inclusive); except for the Bonds and new H Shares issued on conversion of the Bonds. |

Shareholder Lock-up Communications Group has undertaken that neither it nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them; (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares; or (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers between 5 January 2021 and the date which is 90 days after the Issue Date (both dates inclusive).

ISIN XS2127864622.

Common Code 212786462.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial information of the Group as at and for the years ended 31 December 2018 and 2019 included in this Offering Circular have been extracted from the audited consolidated financial statements as at and for the year ended 31 December 2019 of the Group which are incorporated by reference in this Offering Circular. The Company acquired 100% equity interest in Shenjiahuhang Co from Communications Group on 9 April 2019, and acquired 100% equity interest in Zhejiang Hotel from Zhejiang Shipping Group Co., Ltd., a wholly-owned subsidiary of the Communications Group, on 14 June 2019, respectively, which were regarded as business combinations involving entities under common control and were accounted for using merger accounting method. As a result, comparative figures for the year ended 31 December 2018 in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position have been restated, in order to include the profits, assets and liabilities of the combining entities since the date on which they first come under common control.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 have been prepared and presented in accordance with HKFRS and have been audited by Deloitte Touche Tohmatsu, the independent auditors of the Company.

The consolidated financial information of the Group as at and for the six months ended 30 June 2019 and 2020 included in this Offering Circular have been extracted from the unaudited consolidated financial statements as at and for the six months ended 30 June 2019 and 2020 of the Group (“Interim Financial Statements”) which are incorporated by reference in this Offering Circular.

The Interim Financial Statements have been prepared in accordance with HKFRS. However, such Interim Financial Statements have not been audited or reviewed, and should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit or a review. Prospective investors must exercise caution when using such data to evaluate the Group’s financial condition and results of operations. None of the Joint Lead Managers or any of their respective directors, employees, representatives, affiliates makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated financial statements of the Group. Such Interim Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2020.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

| | For the year ended | | For the six months ended | |
|--|------------------------|--------------------|--------------------------|--------------------|
| | 31 December | | 30 June | |
| | 2018 | 2019 | 2019 | 2020 |
| | (Audited and restated) | (Audited) | (Unaudited) | (Unaudited) |
| | (RMB'000) | | | |
| Revenue | 11,192,199 | 11,955,266 | 5,722,101 | 3,947,835 |
| Operating costs | (5,806,810) | (6,680,965) | (2,925,250) | (3,355,989) |
| Gross profit | 5,385,389 | 5,274,301 | 2,796,851 | 591,846 |
| Securities investment gains | 512,449 | 1,402,684 | 658,810 | 1,100,834 |
| Other income and gains and losses | 404,128 | 260,267 | 103,789 | 335,772 |
| Administrative expenses | (123,391) | (136,356) | (46,732) | (42,471) |
| Other expenses | (100,204) | (127,135) | (39,656) | (63,219) |
| Impairment losses under expected credit loss model, net of reversal | 45,787 | 31,877 | (2,688) | (53,077) |
| Share of profit of associates | 350,578 | 652,824 | 327,447 | 349,874 |
| Share of profit (loss) of a joint venture | 30,037 | 34,941 | 12,189 | (25,289) |
| Finance costs | (1,396,806) | (1,626,809) | (767,975) | (968,246) |
| Profit before tax | 5,107,967 | 5,766,594 | 3,042,035 | 1,226,024 |
| Income tax expense | (1,113,454) | (1,351,695) | (692,971) | (279,222) |
| Profit for the period | 3,994,513 | 4,414,899 | 2,349,064 | 946,802 |
| Profit for the year attributable to: | | | | |
| – Owners of the Company | 3,515,095 | 3,711,118 | 1,977,610 | 687,097 |
| – Non-controlling interests | 479,418 | 703,781 | 371,454 | 259,705 |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Exchange differences on translation of financial statements of foreign operations | 2,253 | 922 | 165 | 633 |
| Other comprehensive income for the year, net of income tax | 2,253 | 922 | 165 | 633 |
| Total comprehensive income for the period | 3,996,766 | 4,415,821 | 2,349,229 | 947,435 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 3,516,152 | 3,711,551 | 1,977,688 | 687,394 |
| Non-controlling interests | 480,614 | 704,270 | 371,541 | 260,041 |
| Earnings per share | | | | |
| Basic | <u>80.94 cents</u> | <u>85.45 cents</u> | <u>45.53 cents</u> | <u>15.82 cents</u> |
| Diluted | <u>76.27 cents</u> | <u>82.37 cents</u> | <u>44.47 cents</u> | <u>15.82 cents</u> |

Consolidated Statement of Financial Position of the Group

| | As at 31 December | | As at 30 June |
|--|------------------------|-------------------|-------------------|
| | 2018 | 2019 | 2020 |
| | (Audited and restated) | (Audited) | (Unaudited) |
| | | (RMB'000) | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 3,733,201 | 4,280,735 | 4,179,956 |
| Right-of-use assets | – | 379,031 | 336,338 |
| Prepaid lease payments | 114,628 | – | – |
| Expressway operating rights | 24,783,413 | 22,867,446 | 21,909,463 |
| Goodwill | 86,867 | 86,867 | 86,867 |
| Other intangible assets | 173,680 | 182,851 | 188,744 |
| Interests in associates | 5,211,412 | 6,080,155 | 6,187,957 |
| Interest in a joint venture | 333,102 | 368,043 | 342,754 |
| Financial assets at fair value through profit or loss (“FVTPL”) | 17,200 | 16,898 | 16,898 |
| Contract asset | 252,868 | 686,557 | 679,944 |
| Deferred tax assets | 933,837 | 924,602 | 1,046,369 |
| | <u>35,640,208</u> | <u>35,873,185</u> | <u>34,975,290</u> |
| CURRENT ASSETS | | | |
| Inventories | 159,339 | 333,261 | 351,763 |
| Trade receivables | 245,102 | 319,339 | 349,363 |
| Loans to customers arising from margin financing business | 5,850,084 | 8,751,643 | 11,132,775 |
| Other receivables and prepayments | 453,493 | 424,182 | 1,061,249 |
| Prepaid lease payments | 4,822 | – | – |
| Derivative financial assets | 4,169 | 6,250 | 37,847 |
| Dividend receivables | – | 2,005 | – |
| Financial assets at FVTPL | 21,558,606 | 22,235,480 | 30,872,150 |
| Financial assets held under resale agreements | 8,206,182 | 8,110,354 | 5,201,521 |
| Bank balances and clearing settlement fund held on behalf of customers | 14,742,161 | 20,141,931 | 24,499,058 |
| Pledged bank deposit | 10,000 | – | – |
| Bank balances and cash | | | |
| – Time deposits with original maturity over three months | 280,913 | 302,726 | 1,100,000 |
| – Cash and cash equivalents | 6,601,784 | 8,076,598 | 6,312,007 |
| | <u>58,116,655</u> | <u>68,703,769</u> | <u>80,917,733</u> |

| | As at 31 December | | As at 30 June |
|---|------------------------|-------------------|-------------------|
| | 2018 | 2019 | 2020 |
| | (Audited and restated) | (Audited) | (Unaudited) |
| | | (RMB'000) | |
| CURRENT LIABILITIES | | | |
| Placements from other financial institutions | 400,679 | 270,000 | — |
| Accounts payable to customers arising | | | |
| from securities business | 14,653,413 | 20,024,356 | 24,296,554 |
| Trade payables | 1,299,098 | 1,387,856 | 1,184,906 |
| Tax liabilities | 479,469 | 537,868 | 424,549 |
| Other taxes payable | 104,216 | 149,735 | 126,085 |
| Other payables and accruals | 1,740,575 | 2,049,479 | 3,429,858 |
| Contract liabilities | 7,572 | 15,674 | 100,931 |
| Dividends payable | 847 | 1,342 | 109,639 |
| Derivative financial liabilities | 3,818 | 5,565 | 25,289 |
| Bank and other borrowings | 2,625,393 | 4,598,533 | 4,833,539 |
| Short-term financing note payable | 1,551 | 6,532,990 | 6,222,126 |
| Bonds payable | 5,766,458 | 2,281,229 | 398,445 |
| Convertible bonds | — | 2,793,103 | 5,094 |
| Lease liabilities | — | 70,577 | 77,079 |
| Financial assets sold under repurchase agreements | 11,086,710 | 9,017,680 | 16,142,138 |
| Financial liabilities at FVTPL | 364,714 | 321,883 | 522,396 |
| | <u>38,534,513</u> | <u>50,057,870</u> | <u>57,898,628</u> |
| NET CURRENT ASSETS | 19,582,142 | 18,645,899 | 23,019,105 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 55,222,350 | 54,519,084 | 57,994,395 |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings | 9,817,600 | 6,421,600 | 8,398,600 |
| Bonds payable | 9,450,000 | 12,892,042 | 14,801,814 |
| Convertible bonds | 2,709,663 | 2,687,228 | 3,025,358 |
| Lease liabilities | — | 188,772 | 156,461 |
| Deferred tax liabilities | 321,889 | 347,331 | 393,854 |
| | <u>22,299,152</u> | <u>22,536,973</u> | <u>26,776,087</u> |
| | <u>32,923,198</u> | <u>31,982,111</u> | <u>31,218,308</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 4,343,115 | 4,343,115 | 4,343,115 |
| Reserves | 19,121,111 | 17,250,900 | 16,396,493 |
| Equity attributable to owners of the Company | 23,464,226 | 21,594,015 | 20,739,608 |
| Non-controlling interests | 9,458,972 | 10,388,096 | 10,478,700 |
| | <u>32,923,198</u> | <u>31,982,111</u> | <u>31,218,308</u> |

DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meanings.

| | |
|--------------------------------------|--|
| “ADR(s)” | American Depositary Receipt(s) |
| “ADS(s)” | American Depositary Share(s) |
| “Audit Committee” | the audit committee of the Company |
| “Board of Directors” or “Board” | the board of directors of the Company |
| “CAGR” | Compound Annual Growth Rate |
| “Clearing Systems” | Euroclear and Clearstream |
| “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 on 29 December 2001 and the controlling shareholder of the Company |
| “De’an Co” | Deqing County De’an Highway Construction Co., Ltd. (德清縣德安公路建設有限責任公司), a 80.1% owned subsidiary of the Company. A Joint Venture is established with Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司) for PPP Project in Deqing County |
| “Directors” | the directors of the Company |
| “EIT Law” | the Enterprise Income Tax Law of the PRC that came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018. |
| “Group” | the Company and its subsidiaries |
| “H Shares” | the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997 |
| “Hanghui Co” | Zhejiang Hanghui Expressway Co., Ltd.(浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company |
| “Holder” | a holder of the Bonds |
| “Hong Kong Stock Exchange” or “SEHK” | The Stock Exchange of Hong Kong Limited |

| | |
|-----------------------------------|--|
| “Huihang Co” | Huangshan Yangtse Huihang Expressway Co., Ltd. (浙江黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company |
| “IIT Law” | the Individual Income Tax Law of the PRC as amended on 30 June 2011 and 31 August 2018 |
| “Jiaxing Co” | Zhejiang Jiaxing Expressway Co., Ltd.(浙江嘉興高速公路有限責任公司), a 99.9995% owned subsidiary of the Company |
| “Jinhua Co” | Zhejiang Jinhua Yongjin Expressway Co., Ltd.(浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company |
| “km” | kilometer |
| “km/h” | kilometer per hour |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Shangsan Co” | Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a 73.625% owned subsidiary of the Company |
| “Shareholders” | the shareholders of the Company |
| “Shengxin Co” | Shengxin Expressway Co., Ltd. (浙江紹興嵊新高速公路有限公司), a 50% owned joint venture of the Company |
| “Shenjiahuhang Co” | Zhejiang Shenjiahuhang Expressway Co., Ltd. (浙江申嘉湖杭高速公路有限公司), a wholly-owned subsidiary of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |
| “Yuhang Co” | Zhejiang Yuhang Expressway Co., Ltd. (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company |
| “Zheshang Securities” | Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 63.74450% owned subsidiary of the Shangsan Co |
| “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 35% owned associate of the Company |
| “Zhejiang Hotel” | Zhejiang Grand Hotel Limited (浙江大酒店有限公司), a wholly-owned subsidiary of the Company |
| “Zhoushan Co” | Zhejiang Zhoushan Bay Bridge Co., Ltd. (浙江舟山跨海大橋有限公司), a 51% owned subsidiary of Shenjiahuhang Co |

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Company and the Group may be materially adversely affected by any of these risks. The risks described below are not the only ones relevant to the Company, the Group or the Bonds. Additional risks and uncertainties not presently known to the Company or the Group, or which the Company or the Group currently deems immaterial, may also have an adverse effect on an investment in the Bonds. The market price of the Bonds could decline due to any of these risks and investors may lose all or part of their investments.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

Risks Relating to the Group's Businesses

The Group's businesses, financial condition and results of operations are heavily dependent on the level of economic activity in Zhejiang Province.

The Group's businesses and assets are highly concentrated in Zhejiang Province. Most of the toll roads which the Group operates and manages, and a majority of the securities brokerage branches of the Group's securities business, are located in Zhejiang Province. Accordingly, the Group's businesses, financial condition and results of operations have been and will continue to be heavily dependent on the level of economic activity in Zhejiang Province and to a lesser extent, other regions in Yangtze River Delta. Zhejiang Province has undergone a prolonged period of rapid economic development and has been one of the fastest growing provinces in the PRC in the last decade in terms of economy, its GDP ranked No. 4 in 2018 among all Chinese provinces. These developments have greatly benefited the Group and have allowed the Group to grow at a rapid pace during this time. However, the level of economic activity in Zhejiang Province may not continue to grow at the pace that it has achieved in the past, or at all, and in the event of any unfavourable developments, the Group's businesses, financial condition and results of operations may be adversely affected.

A decline in traffic volume may adversely affect the revenue and earnings of the Group's toll road business.

Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, the existence and availability of other means of transportation, including rail and waterway, fuel prices and environmental regulations and seasonality.

The increase in transport capacity of railways in recent years has impacted the overall highway transportation industry. Widening and expansion works of nearby highways and local roads, as well as openings of new roads, further expansion and improvement of the highway network, parallel roads or substitutive routes, have hindered traffic growth on the highways of the Group and brings negative impact on the growth of toll revenue of the Group.

While the Group takes into account government planning when positioning its toll roads, new competing roads due to changes in government planning may become operational to divert traffic and other existing competing roads or modes of transportation may significantly improve their services, and consequently materially adversely affecting the results of operations and financial condition of the Group's toll road business.

Additionally, fluctuation in fuel prices may affect traffic volume on the Group's roads. To the extent that fuel shortages or increasing fuel prices reduce the volume of traffic, the Group's business, results of operations and financial condition may be materially and/or adversely affected.

The Group's toll rates are subject to the regulation by the national and provincial governments.

All toll rates charged by the Group's toll roads are determined by the relevant pricing department and relevant transportation department of the Zhejiang and Anhui provincial governments. While the Group has not encountered a reduction in toll rates in the past three years, it is possible that the relevant governmental authorities could mandate the Group to reduce the toll rates charged by its toll roads or keep the toll rates at the present level despite increased construction and operation costs. If the toll rates of the toll roads operated by the Group were to be reduced or fail to reflect the Group's costs, it could adversely affect the Group's revenues and results of operations.

Regulations and initiatives implemented by the government may have impact on the expected toll rates. For example, the State Council promulgated the Notice on Approval and Forwarding of Toll-Free on Major Festivals and Holidays for Small Passengers Vehicles Implementation Policy Promulgated by the Ministry of Transport etc. (《關於批轉交通運輸部等部門重大節假日免收小型客車通行費實施方案的通知》) on 24 July 2012 with regard to the Toll-Free on Major Festivals and Holdings for Small Passenger Vehicles Implementation Policy (《重大節假日免收小型客車通行費實施方案》) (“Holiday Toll – Free Policy”). Pursuant to the Holiday Toll-Free Policy, small passenger vehicles with seven or fewer than seven seats would be entitled to use certain toll roads during major statutory holidays in the PRC free of charge. The Group's toll revenue and results of operations have not been significantly affected by the implementation of the Holiday Toll-Free Policy to date, but the PRC government might adopt other policies in the future which may have further negative impact on the Group's toll revenue and results of operations.

In 2019, the Chinese government pushed for aggressive implementation of the electronic toll collection (“ETC”) system, stating that toll operators may need to offer at least 5% discount for ETC usage. The installation of ETC on government vehicles and special usage vehicles shall be completed by end of July 2019, and the installation of ETC on passenger vehicles, rental vehicles, highway freight vehicles and other operating vehicles shall be completed by end of December 2019. In response to this policy, the Zhejiang government announced that starting from 1 January 2019, all qualified trucks using ETC will enjoy a 15% discount on tolls for a two-year transformation period for the expressway within Zhejiang Province that are owned or controlled by the Zhejiang government. The discounts may have negative impact on toll revenue. Furthermore, the Ministry of Transport announced that the previous toll-by-weight toll collection method will be switch to toll-by-vehicle collection method starting from 1 January 2020. In 2020, Zhejiang Province has expanded the beneficiaries of discount on tolls and increased the rate of discounts of certain vehicles. Such event may have impact on the Group's revenue and profitability.

Changes to the national and local policies on the transportation industry may adversely affect the Group's business, results of operations and financial condition.

The PRC is undergoing rapid economic development, and government regulations and policies are regularly promulgated to address such development. Changes in government policies on the transportation industries may adversely affect the Group's revenue and increase the Group's costs in operating and maintaining the toll roads. For example, the Hangzhou municipal government implemented, in phases, restrictive policies on automobile purchase and restriction on the use of non-local small passenger vehicles during certain time-slots and substantial increase in road parking charge, to restrain the rapid growth of car ownership and reduce the rate of vehicle use. To some extent, negative impact on the future traffic growth of regional road networks is expected accordingly. In addition, according to the related regulations on road and traffic safety management of Zhejiang Province, there is a need to improve facilities such as lighting and supervision system of the relevant expressways of the Group. Such policies will increase the operating and maintenance costs of the Group and exert greater pressure on management and coordination. On 1 May 2016, the "replacing the business tax with value-added tax" scheme became effective. The Group expects the scheme will generally not affect its cash flow but may slightly affect its revenue, costs and net profit. At the same time, the Group is required to re-formulate the business and financial management procedures and adjust its accounting and audit treatment as well as tax system in order to comply with such scheme. The scheme also imposes stricter requirements on suppliers. Changes in PRC government policies such as those that exempt certain vehicles from payment of toll fees may adversely affect the Group's toll road business. There can be no assurance that there will not be any unfavourable changes in PRC government policies that affect the transportation industries, which could in turn adversely affect the Group's results of operations or financial condition.

Adjustment of the road network in Zhejiang and Anhui may affect the Group's operational and financial results.

The People's Government of Zhejiang Province and/or the People's Government of Anhui Province may implement regional adjustments in road network planning or traffic reorganisation, which may affect the traffic flow and composition in Zhejiang's and/or Anhui's road network. In the event the adjustment affects one or more roads operated or managed by the Group, the Group's operations and financial results may be impacted.

Competition in Zhejiang Province and Anhui Province from other forms of transportation may adversely affect the Group.

As an operator of expressways in Zhejiang Province and Anhui Province in the PRC, the Group competes with other forms of transportation available in the region, including high speed trains, subways, light rails and freeways. Traffic on expressways operated and managed by the Group could be impacted by:

- the expanding high speed train network;
- the government's focus on the development of subway and inner-city light rail systems; and
- the opening of new freeways resulting in the diversion of traffic from the expressways operated by the Group.

Alternative forms of transportation may provide travellers with alternate access or more comfortable and convenient transportation services. There is no assurance that the Group will be able to maintain its expressways or improve travel condition in order to compete with existing and new forms of transportation in respect of each of these factors, or at all. As a result, the Group expects increased competition from such transportation providers, which may adversely affect the Group.

Environmental and safety protection measures and policies may affect the level of income and profitability of the Group.

Construction and operation of highways can cause damages to local vegetation, soil and water to varying degrees, producing waste gas, dust and noise pollution, damaging the ecological environment and causing safety hazards. While the Group's main business is not in one of the highly polluting or hazardous industries, environmental protection or safety protection measures and policies may cause an increase in the Group's operating costs and restrict traffic on the Group's toll roads, thus adversely affect the Group's profitability.

The Group's toll road operations may be subject to operational and financial risks.

The operation of toll roads generally involves a low level of operational risk as long as an effective system of internal controls over the collection of toll fees is properly established and appropriate periodic maintenance is carried out. The toll road operations of the Group may nonetheless be materially adversely affected or interrupted by a variety of events, such as insufficient management and internal control by the Group in the operation and maintenance of the highways, major traffic accidents, natural disasters, serious adverse weather and other unforeseen circumstances. If the toll road operations are interrupted in whole or in part as a result of such events, the traffic flow and, therefore, the results of operations and financial condition of the Group may be materially adversely affected.

The expansion of the inter-network toll collection called for a higher standard on the stability of the toll collection system, accuracy and timeliness of data division and settlement system. Abnormality in the system and management procedure may lead to inaccuracy in data division, and delay in settlement, which may adversely affect the operation and reputation of the Group. In addition, with the expansion of the toll collection network, there has been a decrease in toll evasion incidents such as gate crashing and fake toll passes, which may adversely affect the operations of the Group's toll roads.

The Group's operations and financial position may be impacted by significant unforeseen capital expenditure requirements. For example, significant capital expenditure may be required as a result of catastrophic events such as serious adverse weather, natural disasters, epidemics and major road accidents. To date, no material events of this nature have adversely affected the operation of any of the Group's roads. However, if the condition or operation of the Group's toll roads were seriously affected as a result of any such events, the revenue and earnings and financial position of the Group may be adversely affected.

The concession period for toll roads of the Group will expire in a certain period of time or may be terminated before expiration.

The Group is principally engaged in investing in, developing and operating of high-grade roads and the periods of concession the expressways operated by the Group are in a range of 25 to 30 years. Pursuant to Regulation on the Administration of Toll Roads (《收費公路管理條例》), upon expiry of the concession period, the toll collection shall be terminated. The competent communications department of the people's government of any province, autonomous region, or municipality directly under the Central Government shall make appraisal and acceptance check on any toll road six months before the termination of toll collection of the toll road. After toll collection is terminated in a toll road, the business operator of the toll road shall dismantle the toll facilities within 15 days from the date of termination of toll collection. In addition, the concession agreement or concession authorization may be terminated before expiration under certain circumstances.

The Ministry of Transport of the PRC issued a revised draft of the Regulation on the Administration of Toll Road (《收費公路管理條例》) for comment in December 2018. According to this revised draft, the periods of concession of the for-profit roads shall usually not exceed 30 years. However, the periods of concession of for-profit roads with large investment and long investment return period could exceed 30 years. The draft amendment to the regulation had sought for public comments by August 2019. However, as at the date of this Offering Circular, no amendment to the regulation has been put into effect.

The Group cannot assure that the concession agreements will not be terminated before or upon its expiration. If the concession agreements are terminated or revoked for whatever reasons, or should the relevant government authorities require the Group to surrender the concession rights, the Group is not able to continue the operations on the expressways. As result of any such events, the Group's business, financial position and results of operations may be materially and adversely affected.

The Group's historical results may not be indicative of its future prospects and results of operations.

In order to increase its market share and competitive strength, the Company has entered into an equity purchase agreement to acquire 100% equity interest in Shenjiahuhang Co. Such acquisition has been approved by independent shareholders on 4 March 2019 and subsequently completed on 9 April 2019, and hence Shenjiahuhang Co became a wholly-owned subsidiary of the Company. Subsequent to the acquisition of Shenjiahuhang Co, the Company owns 100% of the Shenjiahuhang Expressway and 51% of the Zhoushan Bay Bridge. Further, the Company has acquired 100% equity interest in Zhejiang Hotel Limited on 14 June 2019. As a result, the Group's historical result may not be indicative of its future prospects and result of operations.

Any difficulties identifying and consummating future acquisitions or integrating current and future acquisitions may have a material and adverse effect to the Group's business, results of operations or financial positions.

The Group has acquired and will continue to acquire expressways to further expand the business. However, acquisition present challenges, including the difficulty of integrating the operations and personnel of the acquired businesses, the potential disruption of the ongoing business, the potential distraction of management, expenses related to acquisition, potential unknown liabilities or penalties associated with acquired businesses. Any inability to integrate operations or personnel in an efficient and timely manner could harm the Group's results of operations.

The Group cannot assure that it will be successful in identifying and consummating future acquisitions, which could impair the growth potential. In addition, future acquisitions will require the use of the Group's available funds or dilutive issuances of securities. The Group may also experience significant turnover from the acquired operations or from the Group's current operations as we integrate businesses. Such difficulties in identifying and consummating future acquisitions or any difficulties encountered in integrating current and future acquisitions may have a material and adverse effect to the Group's business, results of operations and financial positions.

Zheshang Securities business may be adversely impacted by market and economic conditions in the PRC.

Zheshang Securities' businesses are highly dependent on economic and market conditions in the PRC. As the PRC's capital markets are still continuing to develop and improve, market conditions may change suddenly and dramatically, and could materially adversely affect Zheshang Securities' results of operation and financial condition. In addition, global market conditions may adversely affect the Chinese market. For example, recent volatilities in the capital markets in the United States and Europe, which may recur in the future, had affected China's financial markets.

Unfavourable or uncertain economic and market conditions could adversely affect investors' confidence, resulting in decline in securities trading and corporate finance activities, which may adversely affect the commission and fee income from Zheshang Securities' brokerage business and increase the risk of default in Zheshang Securities' margin financing and securities lending businesses. During periods of adverse financial or economic conditions, Zheshang Securities may experience decline in the value of asset management portfolio, which could adversely affect the fee income from its asset management business.

Zheshang Securities' businesses are highly regulated in the PRC.

As a participant in the financial services industry, Zheshang Securities is subject to extensive regulation in the PRC. Zheshang Securities' regulators limit its business activities by imposing capital requirements, limiting the types of products and services it may offer and restricting the types of securities it may invest in and imposing risk indicators.

The PRC authorities conduct periodic inspections, examinations and inquiries in respect of Zheshang Securities' compliance with relevant regulatory requirements. For example, the CSRC assigns a regulatory rating to each securities firm based on its risk management capabilities, competitiveness and compliance with regulatory requirements. Zheshang Securities have received from the CSRC a "Class A Grade A" regulatory rating in 2019. However, the Group cannot assure you that CSRC will not lower Zheshang Securities' regulatory rating in the future, which may cause Zheshang Securities to be subject to a higher reserve ratio for its securities investor protection fund or make it ineligible for conducting certain new businesses or obtaining business permits or approvals for its businesses. Any of these events may materially and adversely affect Zheshang Securities' business, financial condition and results of operations.

New laws or regulations or changes in enforcement of existing laws or regulations applicable to Zheshang Securities' businesses or those of its clients could be imposed on a subset of financial institutions (based on size, activities, geography or other criteria), which may adversely affect Zheshang Securities' ability to compete effectively with other financial institutions that are not affected in the same way. In addition, deregulation could subject Zheshang Securities to increased competitive pressures, which could have a material adverse effect on it.

Many aspects of Zheshang Securities' businesses also depend upon obtaining and maintaining the necessary approvals, licenses, permits or qualifications from relevant PRC regulators, such as the CSRC. Zheshang Securities is required to comply with the relevant regulatory requirements when applying for approvals, licenses or permits for conducting certain new businesses or offering new products. As China's legal system and financial services industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may make them more difficult to comply with, or adversely affect the type and scope of businesses Zheshang Securities is permitted to engage in. In addition, further regulatory approvals, licenses, permits or qualifications may be required in the future, and some of Zheshang Securities' current approvals, licenses, permits or qualifications are subject to periodic renewal. If any of Zheshang Securities' business activities fails to meet the regulatory requirements, or if it fails to obtain or renew the required permits, licenses, approvals or qualifications, its business, financial condition and results of operations may be materially adversely affected.

Zheshang Securities may fail to obtain, renew or retain qualifications, licenses and permits to conduct its business in the PRC, or may fail to comply with applicable laws and regulations, in which its businesses may be materially adversely affected.

Zheshang Securities is required to hold various qualifications, licenses and permits issued by the relevant regulatory authorities necessary for its business. Failure to obtain, renew or retain such qualifications, licenses and permits may affect Zheshang Securities' ability to conduct its businesses. If Zheshang Securities fails to comply with applicable laws and regulations, the relevant regulatory authorities may revoke its qualifications, licenses and permits, request it to take remedial actions, and/or impose fines or other regulatory measures on it, any of which may have an adverse impact on its businesses.

If Zheshang Securities is unable to compete effectively in the highly competitive financial services industry, its business and prospects may be materially adversely affected.

Zheshang Securities operates in the intensely competitive securities markets in the PRC. Zheshang Securities competes on the basis of a number of factors, including price, products and services, innovation, execution capability, reputation, experience and knowledge of its staff, employee compensation and geographic scope.

Zheshang Securities competes principally with other large securities firms in the PRC as well as commercial banks, investment banks, insurance companies and asset management companies in particular areas, such as margin financing, securities lending, investment banking and asset management businesses. In addition, Zheshang Securities expects that it will face increased competition in its businesses if the Chinese regulators change the laws to allow other financial institutions to engage in businesses traditionally engaged in only by securities firms.

Zheshang Securities has experienced intense price competition in some of its businesses in recent years. For example, increasingly intense industry competition has resulted in downward pressure on brokerage commissions. In addition, the rapid development of Internet finance in the PRC may increase competition for Zheshang Securities' businesses and products, which may result in lost clients or decrease in the assets its clients invest or trade through Zheshang Securities. Zheshang Securities believes that it will continue to experience competition in these and other areas in the future as some of its competitors seek to obtain market share by reducing prices.

Zheshang Securities' business, financial condition or results of operations could be materially and adversely affected by a reduction in our clients' trading activities or our brokerage commission rates.

Revenue from Zheshang Securities' brokerage business depends significantly on the number of trades that it executes for its clients, which in turn is influenced by market conditions in the PRC. Trading volume is influenced by macro-economic and market conditions, government monetary policies, fluctuations in interest rates and investor behaviour, all of which are beyond the Group's control. Zheshang Securities' brokerage business could also be adversely affected by a reduction in its brokerage commissions as a result of increased price competition in the brokerage industry. For example, some of Zheshang Securities' competitors have recently launched Internet account opening services, which lowered the commission rates charged to brokerage clients. Zheshang Securities believes that price competition and pricing pressure may continue if investors are less willing to pay for brokerage services, and some of its competitors seek to obtain market share by reducing brokerage fees and commissions. As a result, Zheshang Securities' brokerage revenues could decline in the future, which could materially adversely affect its results of operations and financial condition.

Zheshang Securities may suffer significant losses from credit exposures in its capital-based intermediary businesses and futures brokerage business.

Zheshang Securities' capital-based intermediary businesses, including margin financing and securities lending, as well as its futures brokerage business, are subject to the risk that a client may fail to perform its payment obligations or that the value of collaterals held by Zheshang Securities to secure the obligations might become inadequate. Zheshang Securities also face credit risks in its role as a counterparty in derivative contracts. Any material non-payment or non-performance by a client or counterparty could adversely affect Zheshang Securities' financial position, results of operations and cash flows. Although Zheshang Securities regularly reviews its credit exposure to specific clients or counterparties and to specific industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. Zheshang Securities may also fail to receive all relevant information with respect to the credit risks of its clients and counterparties.

Zheshang Securities may not be able to successfully manage its risks through the use of derivatives. In addition, derivative transactions may expose Zheshang Securities to unexpected risks and potential losses.

Zheshang Securities engages in derivative transactions such as equity swaps as part of its trading activities. Derivative contracts that Zheshang Securities enters into expose it to unexpected market, credit and operational risks that could cause Zheshang Securities to suffer unexpected losses or liabilities. As at 30 June 2020, the Group recorded derivative financial liabilities of approximately RMB25,289,000. While a transaction remains unconfirmed or during any delay in settlement, Zheshang Securities is subject to heightened credit and operational risk and in the event of default may find it more difficult to enforce the contract. In addition, the secondary market for derivatives is volatile and Zheshang Securities may be inexperienced in dealing with new products or making appropriate judgments in trading derivative products.

Zheshang Securities faces additional risks as it expands its product and service offerings.

Zheshang Securities is committed to providing new products and services in order to strengthen its market position in the PRC securities industry. Zheshang Securities expanded its businesses to include investment banking, margin financing, securities lending, and asset management businesses. These new businesses expose Zheshang Securities to additional risks, particularly credit risk. Also see “– *Zheshang Securities may suffer significant losses from credit exposures in its capital-based intermediary businesses and futures brokerage business.*”

Zheshang Securities will continue to expand its product and service offerings as permitted by relevant regulatory authorities, transact with new customers not in its traditional customer base and enter into new markets. These activities expose Zheshang Securities to new and increasingly challenging risks, including, but not limited to, Zheshang Securities may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers; Zheshang Securities may be subject to stricter regulatory scrutiny, increased credit risks, market risks, compliance risks and operational risks; Zheshang Securities may suffer from reputational concerns arising from dealing with less sophisticated counterparties and customers; Zheshang Securities may be unable to provide customers with adequate levels of service for its new products and services; Zheshang Securities may be unable to hire additional qualified personnel to support the offering of a broader range of products and services; Zheshang Securities' new products and services may not be accepted by its customers or meet its profitability expectations; Zheshang Securities may be unable to obtain sufficient financing from internal and external sources to support its business expansion; and Zheshang Securities may not be successful in enhancing its risk management capabilities and IT systems to identify and mitigate the risks associated with these new products and services, new customers and new markets.

If Zheshang Securities is unable to achieve the intended results with respect to its offering of new products and services, its business, financial condition, results of operations and prospects could be materially and adversely affected.

Zheshang Securities' risk management policies, procedures and internal control systems may not fully protect it against all risks it is exposed to.

Zheshang Securities has established risk management policies and internal control systems and procedures to manage its risk exposure. Certain areas within Zheshang Securities' risk management policies and internal control systems and procedures may require constant monitoring, maintenance and continual improvement by its senior management and staff. Although Zheshang Securities implements its risk management policies and internal control systems, they may not totally prevent the occurrence of non-compliance incidents. Zheshang Securities' businesses and prospects may be materially adversely affected if its efforts to maintain these policies, systems and procedures are ineffective or inadequate. Deficiencies in Zheshang Securities' risk management and internal control systems and procedures may adversely affect its ability to record, process, summarize and report financial and other data in an accurate and timely manner, as well as adversely impact its ability to identify any reporting errors and non-compliance with rules and regulations.

A failure in Zheshang Securities' operational systems or infrastructure, or those of third parties, could impair its liquidity, disrupt our business, damage its reputation and cause losses.

Zheshang Securities' businesses are highly dependent on its ability to process and monitor daily, a large number of transactions, many of which are highly complex. As Zheshang Securities' client base and its geographical network expand and client demand on service quality increases, the volume, speed, frequency and complexity of transactions also increase. This is especially the case for electronic transactions and the requirements to report transactions on a real-time basis to clients, regulators and exchanges. As a result, developing and maintaining Zheshang Securities' operational systems and infrastructure become more challenging, and its financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control, such as human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and data loss or leakage. The inability of Zheshang Securities' systems to accommodate an increasing volume of transactions could also constrain its ability to expand its businesses. Any error in processing such transactions may adversely affect the markets, Zheshang Securities' clients and counterparties or the firm. System enhancements and updates, as well as the requisite training, entail significant costs and create risks associated with implementing new systems and integrating them with existing ones. Zheshang Securities' operations also depend on the secure processing, storage and transmission of confidential and other information in our computer systems and networks and it is vulnerable to unauthorized access, computer viruses or other malicious programs and other events that could cause a security breach. An occurrence of one or more of such events could jeopardize the confidentiality of information processed, stored in, and transmitted through Zheshang Securities' computer systems and networks, or otherwise disrupt its operations, which could result in reputational damage, litigation and financial losses.

Zheshang Securities may not be able to detect money laundering and other illegal or improper activities in its business operations on a timely basis or at all, which could subject Zheshang Securities to liabilities and penalties and adversely affect its business.

Zheshang Securities is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC. The PRC Anti-money Laundering Law (《中華人民共和國反洗錢法》) requires Zheshang Securities, among other things, to adopt and enforce sound internal control policies and procedures and to report suspicious transactions to the relevant regulatory authorities. Although Zheshang Securities has adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities by terrorists and terrorist related organizations and individuals generally, such policies and procedures may not completely eliminate instances where our networks may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent Zheshang Securities may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on Zheshang Securities, which may adversely affect its businesses and results of operations.

The rising costs of labour, construction materials, building equipment or maintenance fees may adversely affect the Group's results of operations.

As the result of economic growth and the boom in the infrastructure and property development industries in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increases in recent years. In addition, the PRC Labour Contract Law that came into effect on 1 January 2008 and was amended on 28 December 2012 enhanced the protection for employees and increased employers' liability in many circumstances, which may further increase the Group's labour costs. The Group is exposed to the price volatility of construction materials and building equipment used in the toll roads operated and managed by the Group. The Group may also experience substantial increases in toll road maintenance fees if the toll roads operated and managed by the Group are heavily damaged by overloaded vehicles or natural disasters, or experience significant structural defects. No assurance can be given as to the future movements of the prices of the construction materials and building equipment required by the Group as well as the maintenance fees required to repair the Group's toll roads. Any detrimental movements in the future could have a material adverse effect upon the Group's financial condition and results of operations.

The Group may be involved in legal and other proceedings arising from its operations from time to time.

The Group may be involved from time to time in disputes with various parties involved in its businesses, such as contractors, sub-contractors, suppliers, construction companies, purchasers, partners, customers and others. These disputes may lead to legal and other proceedings, and may cause the Group to suffer significant costs and delays. In addition, the Group may have disagreements with regulatory bodies and governmental authorities in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that may result in financial losses. If the Group is not successful in obtaining remedies under any contractual arrangements for any such undisclosed losses or damages, the Group may be exposed to financial losses, which may have an adverse effect on its expected profitability and ability to realise synergies from such acquisitions.

The Group's success depends on the retention of its senior management team and other key personnel.

The Group depends on the services provided by its management and other qualified and experienced staff. As competition in the PRC for senior management and key personnel with experience in infrastructure, passenger transportation, securities and hotel industries is intense, and the pool of qualified candidates is very limited, the Group may not be able to retain the services of the Group's senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If any key management team member leaves and the Group fails to find suitable substitutes, or if the Group cannot attract or retain qualified personnel, its business and future growth prospect may be negatively affected.

The Group's current and future borrowings give rise to financial risk.

The Group may, from time to time, require debt financing to achieve its investment strategies. The Group will be subject to risks normally associated with debt financing. Payments of principal and interest on borrowings may leave it with insufficient cash resources to operate its projects. The Group's level of debt and the limitations imposed on it by current or future loan agreements could have significant adverse consequences, including, but not limited to:

- insufficient cash flow to meet its required principal and interest payments;
- inability to borrow additional funds as needed or on commercially acceptable terms;
- inability to refinance its indebtedness upon maturity or the refinancing terms may be less favourable than the terms of the original indebtedness;
- defaults on obligations and the lenders or mortgagees may foreclose on its properties, and require a forced sale of the mortgaged property, or foreclose on its interests in the entities that own the properties and require a forced sale of those entities;
- the effects of restrictive covenants in future loan agreements, which limit or may limit or otherwise adversely affect the Group's operations, such as its ability to incur additional indebtedness, acquire properties, make certain other investments or make capital expenditures, which may require it to set aside funds for maintenance or repayment of security deposits;
- violations of restrictive covenants under current facility agreements and in future loan documents, which would entitle the lenders to accelerate debt obligations; and
- default under any one of its loan agreements could result in a cross default under other indebtedness.

If any one or more of these events were to occur, the Group's financial condition, results of operations, cash flow, and ability to satisfy its debt service obligations could be materially and adversely affected.

Support from the Communications Group and Zhejiang government may decrease or disappear

The Company is controlled by the Communications Group, and the Communications Group holds approximately 67% of the total issued share capital of the Company as of the date of this Offering Circular. The Communications Group is in turn controlled by the State-owned Assets Supervision and Administration Commission of Zhejiang province. As the only listed state-owned expressway company in Zhejiang Province, the Company is supported by government authorities at different levels and receives preferential tax treatment from relevant government departments. However, these beneficial policies may change, so the support we receive from the government may decrease or disappear, which may impact our long-term development.

The Company published and may continue to publish periodical financial information which have not been audited or reviewed by independent auditors. Investors should be cautious and not place undue reliance on such financial information.

The Company published and may, from time to time, publish unaudited and unreviewed periodical financial statements. The quarterly and semi-annual financial information published by the Company (including Interim Financial Statements) is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. Such published interim financial information should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited information. The Company is not responsible to holders of the Bonds for the unaudited and unreviewed financial information published from time to time and therefore investors should not place undue reliance on any such financial information. Save as set out in the section "Selected Consolidated Financial Information of the Company", no other interim or annual financial information of the Company is incorporated in or forms part of this Offering Circular. None of the Joint Lead Manager, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents, each person who controls any of them or their advisers makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to any such financial information.

Risks Relating to the PRC

The slowdown of the PRC's economy caused in part by the recent challenging global economic conditions may adversely affect the Group.

All of the Group's revenue is derived in the PRC. The Group relies, to a significant degree, on domestic industrial development, growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. While the rate of deterioration of the global economy slowed in the second half of 2009, with some signs of stabilisation and improvement in 2010 and the first half of 2011, macroeconomic events in 2011, 2012 and 2013 such as the tightening of monetary policy by the PRC and other governments and the sovereign debt crisis in Europe had an adverse effect on the global and the PRC economies, resulting in continuing uncertainty for the overall prospects for the global economy.

In March 2016, Moody's changed the PRC government's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In May 2017, Moody's downgraded the sovereign credit rating of the PRC from Aa3 to A1 and changed its outlook to "stable" from "negative", reflecting Moody's expectation that economy-wide debt in the PRC will continue to rise as potential growth slows. In September 2017, Standard & Poor's downgraded the sovereign credit rating of the PRC from AA- to A+, citing its concerns over the level of economic and financial risks within the PRC.

PRC's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. In 2018, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from the PRC, and the PRC responded with similarly sized tariffs on U.S. products in retaliation. The trade war escalated in May 2019, when the United States increased tariffs on US\$200 billion worth of Chinese products from 10% to 25%, and the PRC increased tariffs on US\$60 billion worth of U.S. goods in response. Moreover, since May 2019, the United States has banned six Chinese technology firms from exporting certain sensitive U.S. goods. In August 2019, the U.S. Treasury declared the PRC a currency manipulator. On September 1, 2019, the U.S. implemented further tariffs on more than US\$125 billion worth of Chinese goods. On September 2, 2019, the PRC lodged a complaint in the World Trade Organization against the U.S. over the import tariffs. As of the date of this Offering Circular, an amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy remain uncertain.

If the weakened global economic recovery continues or a global recession recurs, any slowdown of the PRC economy may create a credit tightening environment, increase the Group's interest expense, reduce domestic demand for the Group's toll roads, securities businesses and hotel operation, resulting in an adverse negative effect on its business, results of operations and financial condition.

Interpretation and enforcement of the laws and regulations in the PRC may involve uncertainties.

Since 1979, the PRC Government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practises in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve a degree of uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not all published on a timely basis. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention.

The relatively new legal system and regulations and the uncertainty of the interpretation and effective enforcement of PRC law and regulations may cause significant uncertainties to our operations.

As all of the Group's businesses are conducted, and all of its assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC.

For example, the National Development and Reform Commission issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (*FAGAIWAIZI(2015)No. 2044*) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知, the “NDRC Circular”) on 14 September 2015, which came into effect on the same day. The Company has completed the NDRC filing procedures to issue the Bonds pursuant to the NDRC Circular, and the Company has undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed period under the NDRC Circular. The NDRC Circular is a recent regulation and its interpretation may involve a degree of uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue registration requirements. There is also no assurance that the post-issue registration of the issuance of the Bonds with the NDRC can be completed by the Company or that the registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

Adverse changes in political, social and economic policies of the PRC Government could have a material and adverse effect on the overall economic growth of the PRC, which could in turn affect the Group’s business and prospects.

The PRC economy differs from the economies of most developed countries in many respects, including government involvement, level of development, economic growth rate, control of foreign exchange, and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that economic reforms will not have an adverse effect on the Group’s business.

The Group’s operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to toll road operations and maintenance, toll rates, as well as securities and hotel businesses, and as such, this could have adverse impact on the Group’s business and results of operations. The Group’s operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. In addition, the growth of the Group’s business operations depend heavily on economic growth. If the PRC’s economic growth slows down or if the PRC economy experiences a recession, the Group’s business prospects may be materially and adversely affected. The Group’s operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

The operations of the Group may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on a sharp upward trend in recent years. Increasing inflationary rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. As a result, further inflationary pressures within the PRC may have a material adverse effect on the Group's business and results of operations, as well as its liquidity and profitability.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease or natural disasters in the PRC, could materially and adversely affect the Group's business and results of operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC, could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. Over the past few decades, the PRC has suffered health epidemics related to the outbreak of avian influenza, H1N1 virus, severe acute respiratory syndrome ("SARS") and novel coronavirus pneumonia ("COVID-19"). Any prolonged recurrence of avian influenza, SARS, COVID-19 or other adverse public health developments in the PRC could materially and adversely affect domestic transportation, supply chain, labour supply, production, consumption, and, possibly, the overall gross domestic product growth of the PRC. In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, PRC. Recently, there have been reports of outbreaks of the COVID-19 pneumonia in the PRC, certain regions of Asia and other parts of the world. While there has been intensifying efforts to contain the spread of the COVID-19 by the governments of the countries affected, the extent to which the COVID-19 impacts our results remains highly uncertain and depends on future developments, including new information which may emerge concerning the severity of the COVID-19 and the actions to contain the COVID-19 or treat its impact, among others. The Group's revenue is currently solely derived from the PRC, and any labour shortages or slowdown in the growth of domestic transportation or consumption in the PRC could materially and adversely affect the Group's business, financial condition and results of operations. In particular, the PRC government has published quarantine policies at both national and provincial levels in order to contain the spread of COVID-19. The 2020 Lunar New Year holiday was extended to 2 February by the General Office of the State Council, and employees were unable to take leave due to epidemic prevention and control but can take deferred holidays in accordance with the labor law. Enterprises in Zhejiang Province, except for those closely related to public services, living and health such as communications, supermarkets and hospitals, were not allowed to resume working until 10 February 2020 as requested by the Zhejiang government. These measures led to much lower traffic volume on expressways and generally slow-downed our operations and business during the containment period. We also waived the tolls for all vehicles on all toll roads from 17 February 2020 to 5 May 2020 according to the Notice on Toll Waiver for Toll Roads during the Containment Period of the Novel Coronavirus (Jiao Gong Lu Ming Dian 【2020】 No.62) 《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電【2020】62號) issued by the Ministry of Transport of the People's Republic of China, which has adverse impact to the Company's revenue and income. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations of the Group and materially and adversely affect the Group's business, financial condition and results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition, and results of operations.

Natural disasters such as earthquakes, floods, heavy rains, severe weather conditions, or other catastrophic conditions, may also result in serious depression in the affected areas or in China which may severely affected the regions where the Group's business operates. The Group's business, financial condition and results of operation may also be materially and adversely affected.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

Substantially all of the Group's assets are located within the PRC. In addition, most of the Group's directors and senior management reside within China, and assets of the directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of the Group's directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Group or any of its directors or senior management in the PRC.

The Articles of Association of the Company and the Listing Rules provide that disputes or claims for rights between holders of the H Shares and us, our directors, supervisors, senior management or holders of the domestic invested shares, arising out of the rights and obligations provided in the Articles of Association of the Company, the PRC Company Law and the related laws and regulations and in relation to affairs of our Company, are to be resolved through arbitration in Hong Kong or the PRC, rather than by a court of law. Under the current arrangements for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by PRC arbitral authorities may be enforced in Hong Kong. Hong Kong arbitration awards may also be enforceable in the PRC. However, the Company cannot assure you that such an action would succeed. For these reasons, the legal protections available to you as a holder of the Bonds may be limited.

The PRC Government's control over foreign currency conversion may limit the Group's foreign exchange transactions.

Currently, RMB still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities including NDRC and MOFCOM.

In addition, any insufficiency of foreign exchange may restrict the Group's ability to obtain sufficient foreign exchange to satisfy any other foreign exchange requirements. If the Group fails to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, its capital expenditure plans, and even the business, financial repayment, operating results and financial condition of the Group, may be materially adversely affected.

The Group's labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law (《中華人民共和國勞動合同法》) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee in certain circumstances including when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employee (《職工帶薪年休假條例》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013–2020 (《國民旅游休閒綱要2013-2020》) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013–2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the operating costs of the Group may also increase. This may in turn affect the selling prices of the products and services, which may then affect the demand of such products and services and thereby adversely affect the Group's sales and financial condition. Increase in costs of raw materials and other components required for the Group's business operation may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

Risks Relating to the Bonds and the Company's H Shares

The Bonds are unsecured obligations

The Bonds will constitute direct, senior, unconditional, unsubordinated and (subject to, and to the extent provided under Condition 3.1 (*Negative Pledge*) of the Conditions) unsecured obligations of the Issuer ranking *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1 (*Negative Pledge*) of the Conditions, at all times rank at least equally with all of its other present and future direct, senior, unsubordinated, unconditional and unsecured obligations. The repayment of the Bonds may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of the above events occurs, our assets may not be sufficient to pay amounts due on the Bonds.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors in the Bonds.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten PRC Business Days after the completion of the issue of the securities. The Company has obtained the NDRC pre-issuance registration certificate with respect to the Bonds on 17 December 2019 and the extension document of the Enterprise Foreign Debt Filing Registration Certificate dated 3 November 2020, and have undertaken to notify the NDRC of the particulars of the issue of the Bonds within the prescribed time period after the Issue Date. However, there is no clarity on the actual legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. Failure to comply with the post-issuance notification requirement may result in the relevant entities being put on the credit blacklist in the PRC and subject them to credit-related sanctions. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for us to perform or comply with our respective obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (Events of Default) of the Conditions. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, being requested or directed by the Bondholders pursuant to Condition 9 and Condition 13), the Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if it is not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

Bondholders will have no rights as holders of the H Shares prior to conversion of the Bonds.

Unless and until the Bondholders acquire the H Shares upon conversion of the Bonds, Bondholders will have no rights with respect to the H Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the H Shares. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the H Shares only as to actions for which the applicable record date occurs after the date of conversion.

Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States.

The Bonds and the H Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the H Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S under the Securities Act. It is not required by the Hong Kong Stock Exchange to register the Bonds and the H Shares into which the Bonds are convertible under the terms of the Bonds. Hence, future resales of the Bonds and the H Shares into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

The Bondholders may be subject to tax on their income or gain from the Bonds.

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the H Shares. See “*Taxation*” for certain PRC and Hong Kong tax consequences.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

Under the EIT Law and its implementation rules, gains on the transfer of the Bonds may be subject to income tax under PRC tax laws.

In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income if it (i) does not have an establishment or place of business in the PRC or (ii) has an establishment or place of business in the PRC but its PRC-sourced income is not connected with such establishment or place of business in the PRC. The income tax must be withheld by the payor at the time of payment of the gains. This tax could be exempted or reduced in accordance with the relevant tax treaty or agreement for avoiding double taxation. However, it is unclear whether holders of the Bonds could obtain benefits under the relevant tax treaty entered into between the PRC and their own countries. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident enterprises on gains derived by them from the sale or transfer of the Bonds. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations for the collection of enterprise income tax on such gains in the future.

In addition, according to the IIT Law and the implementation regulations, non-resident individuals are generally subject to individual income tax at a rate of 20% with respect to PRC-sourced income from interest, dividends and transfer of property unless such tax is reduced or exempted under relevant double taxation treaties. The aforesaid income tax with respect to PRC sourced income from dividends is subject to withholding at source. However, it is unclear whether holders of the Bonds could obtain benefits under the relevant tax treaty entered into between the PRC and their own countries. Under the IIT Law, a “non-resident individual” means any non-resident PRC individual who has no domicile and does not reside in the PRC or who has no domicile but has resided in China for less than one year. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident individuals on the gains derived by them from the sale or transfer of the Bonds. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations for the collection of individual income tax on such gains in the future.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax effected on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or real property within PRC must pay value-added tax (“VAT”) in accordance with these measures. The VAT rates for financial services, which refer to the business activities of financial and insurance operations, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, shall be 6% plus local levies. Income obtained from various kinds of possession or borrowing of funds, including interest income, will be subject to VAT.

If a Holder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds or H shares, or holders on H shares, the value of the relevant Holders’ investment in the Bonds or H shares may be materially and adversely affected. See “*Taxation – PRC*”.

The market value of the Bonds may fluctuate.

Trading prices of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganisations, takeovers or share buybacks) of the Group and/or the subsidiaries and/or associated companies of the Group, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, the Group and/or the subsidiaries and/or associated companies of the Group generally. Adverse economic developments in the PRC could have a material adverse effect on the results of operations and/or the financial condition of the Group and/or the subsidiaries and/or associated companies of the Group.

In addition, the market price of the Bonds is expected to be affected by fluctuations in the market price of the H Shares. There can be no certainty as to the effect, if any, that future issues or sales of H Shares, or the availability of such H Shares for future issue or sale, will have on the market price of the H Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of shares by shareholders or a perception in the market that such disposals could occur, could adversely affect the prevailing market price of the H Shares and the Bonds.

The return on the Bonds may decrease due to inflation.

The Bondholders may suffer erosion on the return of their investments due to inflation. The Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. Application has been made to the Hong Kong Stock Exchange for the listing, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. However, no assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders will be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;
- the price of the H Shares;
- the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- changes in the Group's industry and competition; and general market and economic conditions; and
- the Group's financial condition and historical financial performance and future prospects.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders.

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interest of individual holders of the Bonds.

The Conditions also provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification (other than in respect of certain reserved matters) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement and/or the Trust Deed which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds or the Trust Deed which is in the Trustee's opinion of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (both terms as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

If the Company or any of its subsidiaries is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.

If the Company or any of its subsidiaries is unable to comply with the restrictions and covenants or its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Company's or such subsidiary's other debt agreements. If any of these events occur, there is no assurance that the Company will have sufficient assets and cash flow to repay in full all of its indebtedness, or that the Company would be able to find alternative financing. Even if the Company could obtain alternative financing, it cannot guarantee that it would be on terms that are favourable or acceptable to the Company.

The Issuer may be unable to obtain and remit foreign currencies out of China.

The Issuer's ability to satisfy its obligations under the Bonds will be affected by its ability to obtain and remit sufficient foreign currency. The Issuer must present certain documents to SAFE, its authorised branch, or the designated foreign exchange bank, for registration before it can obtain and remit foreign currencies out of China. If the Issuer for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, it may affect the Issuer's ability to satisfy its obligations under the Bonds without any delay.

Exchange rate risks and exchange controls may affect an investor's returns on the Bonds.

The Group will pay principal on the Bonds in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euro would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

The Company's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Company, its jointly controlled entities and associated companies.

The Company, to some extent, depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Bonds. The ability of the Company's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Company cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage

of its equity ownership in these companies. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Company to make payments on the Bonds. These factors could reduce the payments that the Company receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Bonds.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The PRC subsidiaries, jointly controlled entities and associated companies of the Company or its non-PRC subsidiaries, jointly controlled entities and associated companies are also required to set aside a portion of their post-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from 1 January 2008, dividends paid by such PRC subsidiaries, jointly controlled entities and associated companies to their non-PRC parent companies are subject to a 10 per cent. withholding income tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated which specifically exempts or reduces such withholding income tax. Pursuant to a double tax avoidance arrangement between Hong Kong and the PRC together with related implementation rules, if a non-PRC parent company is a Hong Kong resident and directly holds a 25 per cent. or more interest in a PRC enterprise for at least 12 consecutive months immediately prior to receiving the dividends, subject to certain other requirements, this withholding income tax rate may be lowered to 5 per cent.

According to the Announcement of the SAT on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits(《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》), the “Administrative Measures”), effective as of 1 January 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection”. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities. Where a non-resident taxpayer is not eligible for but has claimed the treaty benefits and therefore has not paid or has under-paid tax, except where it is due to the withholding agent’s failure to make withholding declaration, the non-resident taxpayer shall be deemed to have failed to declare and pay tax pursuant to the provisions, and the tax authorities in charge shall recover the taxes and pursue late tax payment liability of the non-resident taxpayer pursuant to the law. In the case of withholding, the late tax payment period shall commence from the date of withholding declaration for treaty benefits.

The insolvency laws of the PRC and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.

As the Company is established under the laws of the PRC, an insolvency proceeding relating to the Company, even if brought in other jurisdictions, would likely involve PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions.

Bondholders have limited anti-dilution protection

The conversion price of the Bonds will be adjusted only in the situations and only to the extent provided in “*Terms and Conditions of the Bonds – Conversion*”. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the H Shares. Events in respect of which no adjustment is made may adversely affect the value of the H Shares and therefore, adversely affect the value of the Bonds.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders. Any sales in the public market of the H Shares issuable upon such conversion could affect prevailing market prices for the H Shares.

Enforcement of shareholder rights; mandatory arbitration.

Currently, the primary sources of shareholder rights are the Company's Articles of Association, the PRC Company Law, the PRC regulations, the Listing Rules of the Hong Kong Stock Exchange and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority of the United Kingdom, which, among other things, impose certain standards of conduct, fairness and disclosure on the Company, its directors and its controlling shareholder. These rights may not as broad as those applicable to companies incorporated in the United States and some European countries. In addition, the mechanism for enforcement of rights under the corporate framework to which the Group is subject may also be relatively undeveloped and untested. To the Group's knowledge, there has not been any published report of judicial enforcement in the PRC by H share shareholders of their rights under constituent documents of joint stock limited companies or the PRC Company Law or in the application or interpretation of the PRC, Hong Kong or United Kingdom regulatory provisions applicable to PRC joint stock limited companies. We cannot assure you that our shareholders will enjoy the protections to which they may be entitled in other jurisdictions.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom or most European countries, and therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may not be assured. Our Articles of Association as well as the Listing Rules of the Hong Kong Stock Exchange provide that most disputes between holders of H shares and us, our directors, supervisors, officers or holders of domestic shares, arising out of the Articles of Association or the PRC Company Law concerning the affairs of our company or with respect to the transfer of our shares, are to be resolved through arbitration by arbitration organizations in Hong Kong or China, rather than through a court of law. On 18 June 1999, an arrangement was made between Hong Kong and Mainland China for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on 1 February 2000. So far as we are aware, no action has been brought in Mainland China by any shareholder to enforce an arbitral award, and we are uncertain as to the outcome of any action brought in China to enforce an arbitral award granted to shareholders.

The Company may not have the ability to redeem the Bonds.

Bondholders may require the Company, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders on or after 20 January 2024 or upon a Relevant Event as described under "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Bondholders*" and "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Relevant Events*". The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Company's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by the Company.

The Bonds may be early redeemed at the Company's option.

The Company may redeem all, but not some only, of the Bonds at their principal amount, at any time after 20 January 2024 provided that the Closing Price of the H Shares, translated into Euro at the Prevailing Rate, for any 20 out of 30 consecutive H Share Stock Exchange Business Days, the last of which occurs not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H Share Stock Exchange Business Days, at least 130 per cent. of the Conversion Price then in effect, translated into Euro at the Fixed Exchange Rate. The Company may also redeem all, but not some only, of the Bonds at their principal amount provided that at least 90 per cent. in principal amount of the Bonds originally issued (including any Bonds issued pursuant to Condition 15 of the Conditions) has already been converted, redeemed or purchased and cancelled. In addition, the Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, at their principal amount if the Company becomes obliged to pay Additional Tax Amounts as a result of certain events set out in the Conditions and such obligation cannot be avoided by the Company taking reasonable measures available to it. As a result, the trading price of the Bonds may be affected when the options of the Issuer become exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds. In addition, the proceeds from the redemption of the Bonds may be reinvested by the Bondholders and the Bondholders may thereby be subject to additional risks associated to such reinvestment.

Bondholders will bear the risk of fluctuations in the price of H Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the H Shares. The H Shares are currently primary listed on the Hong Kong Stock Exchange, with secondary listing on the London Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of H Shares, or the availability of such H Shares for future issue or sale, will have on the market price of the H Shares prevailing from time to time and therefore on the market price of the Bonds. Sales of substantial numbers of H Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the H Shares and the Bonds. The market price of the H Shares will also be influenced by the Group's operational results (which in turn are subject to the various risks to which the Group's businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Group operates and the capital markets in general. Corporate events such as reorganizations, takeovers or share buy-backs may also adversely affect the market price of the H Shares. Any decline in the market price of the H Shares could adversely affect the market price of the Bonds.

Short selling of the H Shares by Bondholders could materially and adversely affect the market price of the H Shares.

The issuance of the Bonds may result in downward pressure on the market price of the H Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the H Shares, thereby having a material adverse effect on the market value of the H Shares owned by an investor as well as on the trading price of the Bonds.

Future issuances of H Shares or equity-related securities may depress the trading price of the H Shares.

Any issuance of the Company's equity securities after this offering could dilute the interest of the existing shareholders and could substantially decrease the trading price of the H Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt-to-equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of H Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the H Shares. The Company cannot predict the effect that future sales of the H Shares or other equity-related securities would have on the market price of the H Shares. In addition, the price of the H Shares could be affected by possible sales of the H Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to completion and amendment and other than the words in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of €230,000,000 in aggregate principal amount of zero coupon convertible bonds due 2026 (the “Bonds”, which term shall include, unless the context requires otherwise, any further Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司) (the “Issuer”) and the right of conversion into H Shares (as defined in Condition 5.1.5) of the Issuer were authorised by resolutions of the board of directors of the Issuer passed on 31 October 2019 and by resolutions of the shareholders of the Issuer passed on 23 December 2019. The Bonds are constituted by a trust deed (as amended or supplemented from time to time) (the “Trust Deed”) dated on or about 20 January 2021 (the “Issue Date”) and made between the Issuer and The Bank of New York Mellon, London Branch (the “Trustee”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. The Issuer has entered into a paying, conversion and transfer agency agreement (as amended or supplemented from time to time, the “Agency Agreement”) dated on or about 20 January 2021 with the Trustee, The Bank of New York Mellon, London Branch, as principal paying agent and principal conversion agent (collectively, the “Principal Agent”), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “Registrar”) and as transfer agent (the “Transfer Agent”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “Paying Agent”, a “Conversion Agent” or a “Transfer Agent”, as the case may be, and together with the Registrar, the Transfer Agent and the Principal Agent, the “Agents”). References to the “Paying Agents” and to the “Conversion Agents” shall each include the Principal Agent. References to the “Principal Agent”, the “Registrar”, the “Transfer Agent” and the “Agents” below are references to the Principal Agent, the Registrar, the Transfer Agent and the agents for the time being for the Bonds. These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection during normal business hours (being between 9:00 a.m. to 3:00 p.m. on a business day) at the specified office of the Principal Agent, being at the Issue Date at One Canada Square, London E14 5AL, United Kingdom following prior written request and satisfactory proof of holding. The Bondholders (as defined in Condition 1.3) are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in the Conditions will have the meanings given to them in the Trust Deed.

1 STATUS; FORM, DENOMINATION AND TITLE

1.1 Status

The Bonds constitute direct, senior, unsubordinated, unconditional and (subject to, and to the extent provided under, the provisions of Condition 3.1) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3.1, at all times rank at least equally with all of its other present and future direct, senior, unsubordinated, unconditional and unsecured obligations.

1.2 Form and Denomination

The Bonds are issued in registered form in denominations of €100,000 each (an “Authorised Denomination”) and integral multiples in excess thereof. A bond certificate (each a “Certificate”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “Register”) which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“Euroclear”), as operator of the Euroclear System and Clearstream Banking S.A. (“Clearstream”). The Conditions are modified by certain provisions contained in the Global Certificate.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

1.3 Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, “Bondholder” and (in relation to a Bond) “holder” means the person in whose name a Bond is registered.

2 REGISTRATION AND TRANSFERS OF BONDS; ISSUE OF CERTIFICATES

2.1 Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside the United Kingdom and Hong Kong and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

2.2 Transfers

Subject to Condition 2.5 and the terms of the Agency Agreement, a holding of Bonds may be transferred in whole or in part in an Authorised Denomination by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or of any of the Transfer Agents. No transfer of a Bond will be valid or effective unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

2.3 Delivery of New Certificates

2.3.1 Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer. The form of transfer is available at the specified office of each Transfer Agent.

Except in the limited circumstances described herein, the Bonds will only be issued to the Bondholders in book-entry form and owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

2.3.2 Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted, redeemed or repurchased, a new Certificate in respect of the Bonds not so transferred, converted, redeemed or repurchased will, within seven business days of delivery of the original Certificate to the Registrar or any Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted, redeemed or repurchased (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

2.3.3 For the purposes of these Conditions, "business day" shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

2.4 Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge subject to (a) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (c) such regulations as the Issuer may from time to time agree with the Registrar and the Trustee (and as initially set out in the Agency Agreement).

2.5 Restricted Transfer Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any amount pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 5.2.1) has been delivered with respect to such Bond; (iii) after a Put Option Notice (as defined in Condition 7.4) has been deposited in respect of such Bond; or (iv) after a Relevant Event Put Exercise Notice (as defined in Condition 7.5) has been deposited in respect of such Bond, each such period being a "Restricted Transfer Period".

3 COVENANTS

3.1 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that no Principal Subsidiary (as defined below) will create, or have outstanding, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Investment Securities (as defined below) or to secure any guarantee of or indemnity in respect of any Investment Securities, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Investment Securities, guarantee or indemnity or (ii) such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

3.2 Undertakings relating to Foreign Debt Registration

The Issuer undertakes that it will (i) register or cause to be registered the Bonds with Zhejiang Branch of the State Administration of Foreign Exchange of the PRC (“Zhejiang SAFE”) pursuant to and within the time frame prescribed under the applicable laws, regulations, guidelines and implementing measures promulgated thereunder of the PRC and the applicable requirements of Zhejiang SAFE (the “Foreign Debt Registration”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from Zhejiang SAFE on or before the Registration Deadline, and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds.

3.3 Notification to NDRC

The Issuer undertakes that it will within 10 Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資〔2015〕2044號)) issued by the NDRC and effective as of 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the “NDRC Post-issue Filing”).

3.4 Notification of Completion of the Foreign Debt Registration and the NDRC Post-issue Filing

3.4.1 The Issuer shall within 10 Registration Business Days after receipt of the registration record from Zhejiang SAFE (or any other document evidencing the completion of registration issued by Zhejiang SAFE), provide the Trustee with a copy of the Zhejiang SAFE registration record (or any other document evidencing the registration issued by Zhejiang SAFE), certified as a true and complete copy of the original by an Authorised Signatory of the Issuer (the “Registration Documents”). In addition, the Issuer shall, within 10 Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Foreign Debt Registration.

3.4.2 The Issuer shall within 10 Registration Business Days after submission of the NDRC Post-issue Filing, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-Issue Filing; and (ii) a copy of the NDRC Post-Issue Filing setting out the particulars of filing, certified as a true and complete copy of the original by an Authorised Signatory of the Issuer (the items specified in (i) and (ii) together, the “Filing Documents”). In addition, the Issuer shall, within 10 Registration Business Days after the documents comprising the Filing Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the submission of the NDRC Post-Issue Filing.

3.4.3 The Trustee shall have no obligation to monitor or ensure that the NDRC Post-issue Filing or the Foreign Debt Registration is made as required by Conditions 3.2 and 3.3 or to assist with the NDRC Post-issue Filing or the Foreign Debt Registration or to verify the accuracy, validity and/or genuineness of any Registration Documents or any translation or certification thereof or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing or the Foreign Debt Registration, and shall not be liable to the Bondholders or any other person for any of the foregoing and for not doing so.

For the purposes of these Conditions:

“Investment Securities” means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other investment securities which represent indebtedness and are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market and are initially issued outside the PRC with an original maturity of more than one year from its date of issue. For the avoidance of doubt, “Investment Securities” shall not include any indebtedness in the form of or represented by loan facilities or agreements which are not capable of being traded on any stock exchange or over-the-counter or other securities market;

“NDRC” means the National Development and Reform Commission of the PRC or its local counterparts;

“person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“PRC” means the People’s Republic of China, which shall for the purpose of these Conditions only, exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

“Principal Subsidiary” means any Subsidiary of the Issuer:

- (i) whose revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer as shown by its latest audited income statement, are at least ten per cent. of the consolidated revenues as shown by the latest published audited consolidated income statement of the Issuer; or

- (ii) whose gross profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer as shown by its latest audited income statement, are at least ten per cent. of the consolidated gross profits as shown by the latest published audited consolidated income statement of the Issuer; or
- (iii) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer as shown by its latest audited balance sheet, are at least ten per cent. of the consolidated total assets as shown by the latest published audited consolidated balance sheet of the Issuer; or
- (iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited consolidated accounts of the Issuer, prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of paragraphs (i), (ii) or (iii) above of this definition;

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

- (A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until audited consolidated accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such audited consolidated accounts of the Issuer;
- (B) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, the revenues, gross profits or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of any *pro forma* or management accounts (consolidated, if appropriate) prepared by the Issuer for the purposes of preparing a certificate thereon to the Trustee;
- (C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenues, gross profits or total assets (consolidated, if appropriate) shall be determined on the basis of any *pro forma* or management accounts (consolidated, if appropriate) of the relevant Subsidiary prepared by the Issuer for the purposes of preparing a certificate thereon to the Trustee; and
- (D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate signed by an Authorised Signatory of the Issuer stating that, in his/her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer, shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders.

“Registration Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;

“Registration Deadline” means the day falling 180 days after the Issue Date; and

“Subsidiary” or “subsidiary” means, (i) in relation to any person, any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws of the Hong Kong Special Administrative Region of the PRC (“Hong Kong”) or the PRC, or in accordance with generally accepted accounting principles applicable in the PRC from time to time, should have its accounts consolidated with those of that person.

4 ZERO COUPON

The Bonds are zero coupon and do not bear interest unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event, such unpaid amount shall bear interest at the rate of 2 per cent. per annum (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (b) the day seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be determined on the basis of the actual number of days in the period divided by 365 (or, if any portion of that period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365).

5 CONVERSION

5.1 Conversion Right

5.1.1 *Conversion Right and Conversion Period:* Subject as hereinafter provided, Bondholders have the right to convert their Bonds into H Shares credited as fully paid at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into H Shares is called the “Conversion Right”. The number of H Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted (translated into HK dollars at the fixed rate of HK\$9.5145 = €1.00) (the “Fixed Exchange Rate”) by the Conversion Price (as defined in Condition 5.1.3) in effect on the Conversion Date (as defined in Condition 5.2.1). A Conversion Right may only be exercised in respect of an Authorised Denomination for one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of H Shares to be issued upon such conversion will be

calculated on the basis of the aggregate principal amount of the Bonds to be converted.

Subject to and upon compliance with these Conditions (including without limitation Condition 5.1.4), the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 2 March 2021 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 January 2026 or if such Bond shall have been called for redemption by the Issuer before the Maturity Date (as defined in Condition 7.1), then up to and including 3.00 p.m. (at the place aforesaid) on a date no later than 10 days prior to the date fixed for redemption thereof, provided that (i) no Conversion Right may be exercised in respect of a Bond where the holder shall have exercised its right to require the Issuer to redeem or repurchase such Bond pursuant to Condition 7.4 or Condition 7.5 or during a Restricted Conversion Period (both dates inclusive) (as defined below) and (ii) the Conversion Right is exercised subject to any applicable fiscal or other laws or regulations or as hereafter provided in these Conditions (the “Conversion Period”).

A Conversion Right may not be exercised in relation to any Bond during the period (a) commencing on the date falling 30 days prior to a shareholders’ meeting and ending on the date of that meeting; or (b) commencing the date falling five days prior to the record date set by the Issuer for the purpose of distribution of any dividend and ending on such record date; or (c) commencing on such date and for such period as determined by applicable law from time to time that the Issuer is required to close its register (a “Restricted Conversion Period”). The Issuer will give notice of any such Restricted Conversion Period to the Bondholders and the Trustee and Agents not less than two working days prior to the commencement of each Restricted Conversion Period. For the purpose of this Condition 5.1.1, “working day” means a day other than a Saturday, Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in Hong Kong, Beijing and the city which the specified office of each of the Principal Agent and the Registrar is located, respectively.

5.1.2 *Fractions of H Shares:* Fractions of H Shares will not be issued on conversion and no cash payments or other adjustments will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that H Shares to be issued on conversion are to be registered in the same name, the number of such H Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of H Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of H Shares by operation of law or otherwise occurring after 5 January 2021 which reduces the number of H Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Euro (by means of a transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (“TARGET2 System”)) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 5.1.1, as corresponds to any fraction of an H Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds €10.00 (which shall be determined using the Prevailing Rate on the Conversion Date).

- 5.1.3** *Conversion Price*: The price at which H Shares will be issued upon conversion (the “Conversion Price”) will initially be HK\$8.83 per H Share but will be subject to adjustment in the manner provided in Condition 5.3 and/or Condition 5.6, as applicable.
- 5.1.4** *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 5.1.1, if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events referred to in Condition 9 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 7.1, the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 16 and, notwithstanding the provisions of Condition 5.1.1, any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- 5.1.5** *Meaning of “Shares”*: As used in these Conditions, the expression (i) “H Shares” means ordinary shares with a par value of RMB1.00 each issued by the Issuer to investors outside the PRC and which as at the Issue Date have been approved to be primarily listed on the Hong Kong Stock Exchange and are subscribed for and traded in HK dollars (ISIN: CNE1000004S4); (ii) “Domestic Invested Shares” mean the ordinary shares with a par value of RMB1.00 each issued by the Issuer to investors within the PRC; and (iii) “Ordinary Shares” means the H Shares, the Domestic Invested Shares and any other fully-paid and non-assessable shares of any class or classes of the ordinary shares of the Issuer authorised after the date of the issue of the Bonds which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

5.2 Conversion Procedure

5.2.1 *Conversion Notice*:

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Certificate to the specified office of any Conversion Agent during its usual business hours (being between 9:00 a.m. to 3:00 p.m. on a business day) accompanied by a duly completed and signed notice of conversion (a “Conversion Notice”) in the form (for the time being current) obtainable from any Conversion Agent, together with (a) the relevant Certificate; and (b) certification by the Bondholder, in the form obtainable from any Conversion Agent, as may be required under the laws of the PRC, Hong Kong or the jurisdiction in which the specified office of such Conversion Agent is located. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after 3.00 p.m. on any business day or on a day which is not a business day, in each case in the place of the specified office of the Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day. If such delivery is made during a Restricted Conversion Period such delivery shall be deemed for all purposes of these Conditions to have been made on the business day following (in the place of the specified office of the Conversion Agent) the last day of such Restricted Conversion Period unless such date shall fall outside the Conversion Period.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “Conversion Date”) shall be deemed to be the H Share Stock Exchange Business Day (as defined in Condition 5.8) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice and, if applicable, any such certificate and/or any payment to be made or indemnity and/or security given under these Conditions in connection with the exercise of such Conversion Right.

5.2.2 *Stamp Duty etc.:* A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities or party any taxes and duties, including capital, stamp, issue, excise, transfer, registration or similar taxes or duties and transfer costs (“Duties”) in any applicable jurisdiction arising on conversion (other than any Duties payable in the PRC or Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of H Shares and listing of the H Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be) on conversion, being the “Issuer Duties”) (such Duties and Issuer Duties are collectively known as “Taxes”) and such Bondholder must pay directly to the relevant authorities or party any Duties arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer will pay all other expenses arising from the issue of H Shares on conversion of the Bonds and all charges of the Agents and the share transfer agent for the H Shares (the “Share Transfer Agent”). The Bondholder (and, if different, the person to whom the H Shares are to be issued) must declare in the relevant Conversion Notice that any amounts payable to the relevant tax authorities in settlement of Duties payable pursuant to this Condition 5.2.2 have been paid.

If the Issuer fails to pay any amount payable under this Condition 5.2.2 for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer, as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of such payment and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, Duties imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it.

Neither the Trustee nor the Agents shall be responsible for determining whether such Taxes are payable or the amount thereof and shall not be responsible or liable to pay any such Taxes in any jurisdiction or for any failure by the Issuer or any Bondholder to pay such amount.

5.2.3 Registration:

- (i) As soon as practicable, and in any event not later than five H Share Stock Exchange Business Days (excluding any H Share Stock Exchange Business Days that fall within a Restricted Conversion Period) after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and certification and amounts payable by the relevant Bondholder deposited or paid as required by Conditions 5.2.1 and 5.2.2, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of H Shares in the Issuer's H share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("CCASS"), take all necessary action to enable the H Shares to be delivered through CCASS for so long as the H Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Hong Kong Registrars Limited at Room 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof.
- (ii) The delivery of the H Shares to the converting Bondholder (or such person or persons designated in the relevant Conversion Notice) in the manner contemplated above in this Condition 5.2.3(i) will be deemed to satisfy the Issuer's obligation to pay any amounts under such converted Bonds. The person or persons designated in the Conversion Notice will become the holder of record of the number of H Shares issuable upon conversion (except where the relevant H Shares are delivered through CCASS where HKSCC Nominees Limited will become such holder of record) with effect from the date he is or they are registered as such in the Issuer's register of members for H shares (the "Registration Date"). The H Shares issued upon exercise of the Conversion Rights will be fully paid up and will in all respects rank *pari passu* with, and within the same class as, the H Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law. Save as set out in these Conditions, a holder of H Shares issued on exercise of the Conversion Rights shall not be entitled to any rights, distributions or other payments the record date or due date for the establishment of entitlement for which precedes the relevant Registration Date.
- (iii) If the Conversion Date in relation to any Bond shall be after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant to Condition 5.3 and/or Condition 5.6 (as applicable), but before the relevant adjustment becomes effective under

the relevant Condition, upon the relevant adjustment becoming effective the Issuer shall procure the issue to the converting Bondholder (in accordance with the instructions contained in the Conversion Notice (subject to any applicable laws or regulations)), such additional number of H Shares as, together with the H Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of H Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately after the relevant record date. If the Issuer has elected to pay the converting Bondholder cash in lieu of H Shares pursuant to the Cash Settlement Option (as defined in Condition 5.2.4), the number of excess H Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer shall satisfy its obligations under this Condition by paying, as soon as practicable and in any event not later than 13 H Share Stock Exchange Business Days after the date of such adjustment of the Conversion Price becoming effective, to the converting Bondholder an aggregate amount in Euro equivalent (which shall be determined using the Prevailing Rate on the Conversion Date) to the product of the Closing Price of any H Share and any such additional number of H Shares on the date the Issuer would be required to deliver such conversion H Shares if the Cash Settlement Option had not been exercised. Such aggregate amount in Euro shall be paid by means of a transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET2 System in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice.

- (iv) If the record date for the payment of any dividend or other distribution in respect of the H Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (or in the event that the Issuer exercises the Cash Settlement Option, if the record date is on or after the Cash Settlement Notice Date (as defined in Condition 5.2.4), but before the actual payment date of the Cash Settlement Amount (as defined in Condition 5.2.4)), (disregarding any retroactive adjustment of the Conversion Price referred to in Condition 5.2.3(iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will pay to the relevant Bondholder or his designee an amount (the “Equivalent Amount”) equal to the Fair Market Value (as defined in Condition 5.8) converted if necessary into Euro at the Prevailing Rate on the relevant record date of any such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET2 System in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice.

5.2.4 *Cash Settlement:*

Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of H Shares deliverable upon conversion of the Bond is required to satisfy the Conversion Right in respect of a Conversion Notice, the

Issuer shall have the option, in its sole discretion, to pay to the relevant Bondholder an amount of cash equivalent to the Cash Settlement Amount (as defined below) converted at the Prevailing Rate in order to satisfy such Conversion Right in whole or in part (and if in part, the other part shall be satisfied by the delivery of H Shares) (the “Cash Settlement Option”). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the “Cash Settlement Notice”) to the relevant Bondholder, the Trustee and the Agents as soon as practicable but no later than the fourth H Share Stock Exchange Business Day following the date of the Conversion Date (the date of such Cash Settlement Notice being the “Cash Settlement Notice Date”). The Cash Settlement Notice must specify the number of H Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition 5.2.4. The Issuer shall pay the Cash Settlement Amount no later than two H Share Stock Exchange Business Days after the 20 H Share Stock Exchange Business Day period used to determine the Cash Settlement Amount. The Cash Settlement Amount shall be paid by means of a transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET2 System in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and H Shares available to such converting Bondholders.

For the purposes of these Conditions:

“Cash Settlement Amount” means an amount in Euro (which shall be determined by the Issuer using the Prevailing Rate on the Cash Settlement Notice Date) equal to the product of (i) the number of H Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bonds to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option and (ii) the arithmetic average of the Volume Weighted Average Price (as defined below) of the H Shares for each day during the 20 H Share Stock Exchange Business Days immediately after the Cash Settlement Notice Date. The Issuer shall provide notice of the calculation of the Cash Settlement Amount to the Bondholders, the Trustee and the Agents no later than the first H Share Stock Exchange Business Day after the 20 H Share Stock Exchange Business Day period used to determine the Cash Settlement Amount following the Cash Settlement Notice Date.

“Volume Weighted Average Price” means, in relation to an H Share for any H Share Stock Exchange Business Day, the order book volume-weighted average price of an H Share for such H Share Stock Exchange Business Day appearing on or derived from Bloomberg screen page “576 HK Equity VAP” (or its successor page) or, if not available on any of such screens, from such other source as shall be determined to be appropriate by an Independent Financial Advisor, provided that for any H Share Stock Exchange Business Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an H Share in respect of such H Share Stock Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding H Share Stock Exchange Business Day on which the same can be so determined.

If the Issuer is at any time otherwise (for any reason whatsoever) unable to issue sufficient H Shares in satisfaction of the Conversion Right of any converting Bondholder, the Issuer undertakes to exercise the Cash Settlement Option in full, or to the extent required, to satisfy the Conversion Right of the Bondholder.

5.3 Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in certain events set out in the Trust Deed, including the following events:

5.3.1 Consolidation, Subdivision or Re-classification: If and whenever there shall be an alteration to the nominal value of the H Shares as a result of consolidation, subdivision or re-classification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one H Share immediately after such alteration; and

B is the nominal amount of one H Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

5.3.2 Capitalisation of Profits or Reserves:

(i) If and whenever the Issuer shall issue Ordinary Shares of any class credited as fully paid to the holders of such Ordinary Shares (“Ordinary Shareholders”) by way of capitalisation of profits or reserves, including Ordinary Shares of such class paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Ordinary Shares of all classes immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares of all classes immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail.

- (ii) In the case of an issue of Ordinary Shares of any class by way of a Scrip Dividend where the relevant Current Market Price per Ordinary Share of such class, on the date of announcement of the terms of such issue of Ordinary Shares multiplied by the number of Scrip Dividend issued exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Scrip Dividend by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Ordinary Shares of all classes immediately before such issue;

B is the aggregate nominal amount of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is such aggregate Current Market Price of the Scrip Dividend issued in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of such Scrip Dividend,

or by making such other adjustment as an Independent Financial Advisor shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date; provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail.

- 5.3.3** Capital Distributions: If and whenever the Issuer shall pay or make any Capital Distribution to the Ordinary Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 5.3.2 above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the sum of (i) the aggregate number of Ordinary Shares of one class multiplied by the relevant Current Market Price per Ordinary Share of such

class and (ii) the aggregate number of Ordinary Shares of a second class multiplied by the relevant Current Market Price per Ordinary Share of such class and so on in the event that the Issuer has more than two classes of Ordinary Shares outstanding, in each case on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value of the aggregate Capital Distribution to the Ordinary Shareholders.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or, if a record date is fixed therefor, immediately after such record date (for the purpose of this Condition 5.3.3 the “Effective Date”), provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 5.3.3, such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Ordinary Shares, (b) issues of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Ordinary Shares or (d) any change in the fiscal year of the Issuer.

5.3.4 Rights Issues of Shares or Options over Shares: If and whenever the Issuer shall issue Ordinary Shares of one or more classes to all or substantially all Ordinary Shareholders of such classes by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such classes by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares of such classes, in each case at a consideration less than 95 per cent. of the Current Market Price per H Share on the date of the first public announcement of the terms of the issues or grants, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issues or grants by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

A is the aggregate number of Ordinary Shares of all classes in issue immediately before such announcement;

B₁ is the number of Ordinary Shares of one class which the aggregate consideration receivable for the Ordinary Shares of such class issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares of such class comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share of such class;

- B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration receivable for the Ordinary Shares of such class issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares of such class comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share of such class;
- C₁ is the aggregate number of Ordinary Shares of one class issued or, as the case may be, comprised in the issue or grant; and
- C₂ where applicable, is the aggregate number of Ordinary Shares of a second class issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be; provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail.

5.3.5 Rights Issues of Other Securities: In respect of each class of Ordinary Shares, if and whenever the Issuer shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares) to all or substantially all Ordinary Shareholders of such class by way of rights, or issue or grant to all or substantially all Ordinary Shareholders of such class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the sum of (i) the aggregate number of Ordinary Shares of one class multiplied by the relevant Current Market Price per Ordinary Share of such class and (ii) the aggregate number of Ordinary Shares of a second class multiplied by the relevant Current Market Price per Ordinary Share of such class and so on in the event that the Issuer has more than two classes of Ordinary Shares outstanding, in each case their respective Current Market Price on the date on which the terms of such issue or grant are publicly announced; and
- B is the Fair Market Value of the number of such aggregate securities or such options, warrants or rights to subscribe for, purchase or otherwise acquire such securities (as the case may be) attributable to the Ordinary Shares.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights options, warrants or other rights to subscribe for, purchase or otherwise acquire such securities (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be (for the purpose of this Condition 5.3.5 the “Effective Date”), provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Ordinary Shares in relation to such issue or grant is capable of being determined as provided herein.

5.3.6 Issues at less than Current Market Price: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 5.3.4 above) any Ordinary Shares (other than H Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Ordinary Shares) or issue or grant (otherwise than as mentioned in Condition 5.3.4 above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares of one or more classes, in each case at a consideration which is less than 95 per cent. of the Current Market Price per H Share on the date of announcement of the terms of such issues, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issues by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before the issue of such additional Ordinary Shares of such class or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares of such class;
- B₁ is the number of Ordinary Shares of one class which the aggregate consideration receivable for the issue of such additional Ordinary Shares of such class or, as the case may be, the maximum number of Ordinary Shares of such class to be issued on the exercise of such options, warrants or other rights would purchase at the Current Market Price per Ordinary Share of such class;
- B₂ where applicable, is the number of Ordinary Shares of a second class which the aggregate consideration receivable for the issue of such additional Ordinary Shares of such class or, as the case may be, the maximum number of Ordinary Shares of such class to be issued on the exercise of such options, warrants or other rights would purchase at the Current Market Price per Ordinary Share of such class;
- C₁ is the aggregate number of Ordinary Shares of one class issued, or as the case may be, the maximum number of Ordinary Shares of such class to be issued on the exercise of such options, warrants or other rights at the initial exercise price or rate on the date of issue or grant of such options, warrants or other rights; and

C₂ where applicable, is the aggregate number of Ordinary Shares of a second class issued, or as the case may be, the maximum number of Ordinary Shares of such class to be issued on the exercise of such options, warrants or other rights at the initial exercise price or rate on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the issue or grant of such options, warrants or other rights; provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail.

5.3.7 Other Issues at less than Current Market Price: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 5.3.7, if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Condition 5.3.4, Condition 5.3.5 or Condition 5.3.6), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds, which shall be deemed to exclude any further bonds issued pursuant to Condition 15) which by their terms of issues carry rights of conversion into, or exchange or subscription for, Ordinary Shares of one or more classes to be issued by the Issuer upon conversion, exchange or subscription, in each case at a consideration which is less than 95 per cent. of the Current Market Price per H Share on the date of announcement of the terms of issues of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issues by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

A is the aggregate number of Ordinary Shares of all classes in issue immediately before such issue;

B₁ is the maximum number of Ordinary Shares of one class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share of the class;

B₂ where applicable, is the maximum number of Ordinary Shares of a second class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Ordinary Share of the class;

C₁ is the maximum number of Ordinary Shares of one class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the date of issue of such securities; and

C₂ where applicable, is the maximum number of Ordinary Shares of a second class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the date of issue of such securities.

Such adjustment shall become effective on the date of issue of such securities.

5.3.8 Modification of Rights of Conversion etc.: If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in Condition 5.3.7 (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share of one or more classes (for the number of Ordinary Shares of such classes available on conversion, exchange, subscription, purchase or acquisition following the modification) is reduced and, in each case, is less than 95 per cent. of the Current Market Price per H Share on the date of announcement of the proposals for such modifications, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modifications by the following fraction:

$$\frac{A + B_1 + B_2}{A + C_1 + C_2}$$

Where:

- A is the aggregate number of Ordinary Shares of all classes in issue immediately before such modification;
- B₁ is the maximum number of Ordinary Shares of one class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at the Current Market Price per Ordinary Share of such class or, if lower, the existing conversion, exchange subscription, purchase or acquisition price of such securities;
- B₂ where applicable, is the maximum number of Ordinary Shares of a second class which the aggregate consideration receivable by the Issuer for the Ordinary Shares of such class to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at the Current Market Price per Ordinary Share of such class or, if lower, the existing conversion, exchange subscription, purchase or acquisition price of such securities;
- C₁ is the maximum number of Ordinary Shares of one class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate as at the date of such modifications but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 or Condition 5.3.7; and

C₂ where applicable, is the maximum number of Ordinary Shares of a second class to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate as at the date of such modifications but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 5.3.8 or Condition 5.3.7.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities.

5.3.9 Other Offers to Ordinary Shareholders: In respect of each class of Ordinary Shares, if and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Ordinary Shareholders of such class generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 5.3.4, Condition 5.3.5, Condition 5.3.6 or Condition 5.3.7), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the sum of (i) the aggregate number of Ordinary Shares of one class multiplied by the relevant Current Market Price per Ordinary Share of such class and (ii) the aggregate number of Ordinary Shares of a second class multiplied by the relevant Current Market Price per Ordinary Share of such class and so on in the event that the Issuer has more than two classes of Ordinary Shares outstanding, in each case their respective Current Market Price on the date on which the terms of such issue, sale or distribution of securities are first publicly announced; and

B is the Fair Market Value of the portion of the aggregate rights attributable to the Ordinary Shares.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities or, if a record date is fixed therefor, immediately after such record date (for the purpose of this Condition 5.3.9 the “Effective Date”), provided that if there is a different Effective Date for different classes of Ordinary Shares, the Effective Date of the H Shares shall prevail. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Ordinary Shares is capable of being determined as provided herein.

5.3.10 Other Events: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 5.3, the Issuer shall, at its own expense, consult an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination.

5.3.11 Further Classes of Ordinary Shares: In the event that the Issuer has more than two classes of Ordinary Shares outstanding at any time, the formulae set out in this Condition 5.3 shall be restated to take into account such further classes of Ordinary Shares so that “ $B_1 + B_2$ ” and “ $C_1 + C_2$ ” shall become “ $B_1 + B_2 + B_3$ ” and “ $C_1 + C_2 + C_3$ ” and “ B_3 ” and “ C_3 ” shall have the same meaning as “ B_1 ” and “ C_1 ”, respectively, but by reference to a third class of Ordinary Shares and so on,

provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 5.3 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.3 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Ordinary Share value of any such modification shall not exceed the per Ordinary Share value of the dilution in the Ordinary Shareholders’ interest in the Issuer’s equity caused by such events or circumstances.

5.4 Undertakings

5.4.1 The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will use its reasonable endeavours (a) to maintain a listing for the H Shares on the Hong Kong Stock Exchange, (b) to obtain and maintain a listing for all the H Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange and (c) if the Issuer is unable to obtain or maintain such listing, to obtain and maintain a listing for all the issued H Shares on such Alternative Stock Exchange as the Issuer may from time to time determine, and will forthwith give notice to the Bondholders in accordance with Condition 16 of the listing or delisting of the H Shares (as a class) by any of such stock exchange;
- (ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, H Shares arising on conversion of the Bonds (save for the Duties to be borne by any Bondholder as described in Condition 5.2.2);
- (iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund (except, in each case, as permitted by law and where the reduction results in an adjustment to the Conversion Price then in effect); and

- (iv) it will use its reasonable endeavours to maintain the listing of the Bonds on the Hong Kong Stock Exchange.

5.4.2 In the Trust Deed, the Issuer has undertaken with the Trustee that so long as any Bonds remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders:

- (i) it will issue H Shares to Bondholders on exercise of Conversion Rights and ensure that at all times it has the ability to issue free from pre-emptive rights such number of H Shares as would enable the Conversion Rights and all other rights of subscription and exchange for and conversion into H Shares to be satisfied in full and will ensure that all H Shares delivered upon conversion of Bonds will be duly and validly issued as fully-paid and not subject to call for further funds, unless the Issuer has elected to exercise the Cash Settlement Option in respect of any conversion of the Bonds; and
- (ii) it will not make any offer, issue or distribution or take any action the effect of which would be to reduce the Conversion Price below the par value of the H Shares of the Issuer provided always that the Issuer shall not be prohibited from purchasing its H Shares to the extent permitted by law.

5.4.3 The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

5.5 Notice of Change in Conversion Price

The Issuer shall give notice to the Hong Kong Stock Exchange, to the Trustee and each Conversion Agent in writing and to the Bondholders in accordance with Condition 16 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.6 Adjustment upon Change of Control

If a Change of Control (as defined in Condition 7.5.5(ii)) shall have occurred, the Issuer shall give notice of that fact to the Bondholders (the “Change of Control Notice”) in accordance with Condition 16 within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within the period of 30 days following the later of (1) the relevant Change of Control and (2) the date on which the Change of Control Notice is given to Bondholders (such period, the “Change of Control Conversion Period”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \text{OCP} / (1 + (\text{CP} \times c/t))$$

Where:

NCP = the Conversion Price after such adjustment;

OCP = the Conversion Price before such adjustment. For the avoidance of doubt, OCP for the purposes of this Condition 5.6 shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion pursuant to this Condition 5.6;

Conversion Premium (“CP”) = 35.0 per cent. expressed as a fraction;

c = the number of days from and including the first day of the Change of Control Conversion Period to but excluding the Maturity Date; and

t = the number of days from and including the Issue Date to but excluding the Maturity Date.

5.7 Provisions Relating to Changes in Conversion Price

5.7.1 *Minor Adjustments:* On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made. Notice of any adjustment shall be given by the Issuer to the Bondholders in accordance with Condition 16 and to the Trustee in writing, in each case promptly after the determination thereof.

5.7.2 *Decision of an Independent Financial Advisor:* If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Condition 5.3 or Condition 5.6 should be made, and following consultation between the Issuer and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Bondholders, Agents and the Trustee, save in the case of manifest error.

5.7.3 *Minimum Conversion Price:* Notwithstanding the provisions of this Condition 5, the Issuer undertakes that: (a) the Conversion Price shall not in any event be reduced to below the nominal or par value of the H Shares as a result of any adjustment hereunder unless under applicable law then in effect the Bonds may be converted at such reduced Conversion Price into legally issued, fully paid and non-assessable H Shares; and (b) it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal or par value or any minimum level permitted by applicable laws or regulations.

- 5.7.4** *Reference to “fixed”*: Any references herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.
- 5.7.5** *Multiple Events*: Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.
- 5.7.6** *Upward/Downward Adjustment*: No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the H Shares as referred to in Condition 5.3.1 The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and to the Bondholders in accordance with Condition 16, reduce the Conversion Price, subject to Condition 5.7.3.
- 5.7.7** *Trustee or Agents not obliged to Monitor or make Calculations*: Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation or determination (or verification thereof) in connection with the Conversion Price and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Issuer or any Independent Financial Advisor in making a calculation or determination or any erroneous calculation or determination in connection with the Conversion Price.
- 5.7.8** *Employee Share Option Schemes*: No adjustment will be made to the Conversion Price when Ordinary Shares or other securities (including rights or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any employee share scheme or plan (and which employee share scheme or plan is in compliance with, if applicable, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or, if relevant, the listing rules of the Alternative Stock Exchange (“Share Scheme Options”) unless any issue or grant of Share Scheme Options (which, but for this provision, would have required adjustment pursuant to Condition 5) would result in the total number of Ordinary Shares which may be issued upon exercise of all Share Scheme Options granted during the 12-month period up to and including the date of such issue or grant representing, in aggregate, more than two per cent. of the average of the issued and outstanding Ordinary Shares during such 12-month period. For the avoidance of doubt, any Ordinary Shares issued in excess thereof, and only such Ordinary Shares issued in excess thereof, shall be subject to adjustment to the Conversion Price and taken into account in determining such adjustment as set out in Condition 5.3.

5.7.9 Consideration Receivable: For the purpose of any calculation of the consideration or consideration receivable pursuant to Condition 5.3.4, Condition 5.3.6, Condition 5.3.7 and Condition 5.3.8, the following provisions shall apply:

- (a) the aggregate consideration or consideration receivable for Ordinary Shares of a class issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration or consideration receivable for Ordinary Shares of a class to be issued on the conversion, exercise or exchange of any options, warrants or other rights or securities (or following any modification thereof) shall be deemed to be the consideration received or receivable by the Issuer for any such options, warrants or other rights or securities (or following any modification thereof); (y) the aggregate consideration or consideration receivable for Ordinary Shares of a class to be issued on the exercise of rights of subscription attached to any such securities (or following any modification thereof) shall be deemed to be that part (which may be the whole) of the consideration received or receivable by the Issuer for such securities (or following any modification thereof) which is attributed by the Issuer to such rights of subscription or, if no part of such consideration is so attributed, to the Fair Market Value of such rights of subscription as at the date of the announcement of the terms of issue or modification of such securities, plus in the case of each of (x) and (y) above, the additional minimum consideration (if any) to be received by the Issuer on the conversion, exercise or exchange of such options, warrants or other rights or securities (or following any modification thereof), or on the exercise of such rights of subscription; and (z) the consideration per Ordinary Share of a class receivable by the Issuer on the conversion, exercise or exchange of, or on the exercise of such rights of subscription attached to, such options, warrants or other rights or securities (or following any modification thereof) shall be the aggregate consideration referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares of such class to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (c) if the consideration or consideration receivable determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than HK dollars, it shall be converted into HK dollars at the Prevailing Rate on the relevant date;
- (d) in determining the consideration or consideration receivable pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares of a class or securities or options, warrants or rights, or otherwise in connection therewith;
- (e) the consideration or consideration receivable shall be determined as provided above on the basis of the consideration or consideration receivable received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity; and

- (f) if as part of the same transaction, Ordinary Shares of a class shall be issued or issuable for a consideration receivable in more than one or in different currencies then the consideration receivable per Share shall be determined by dividing the aggregate consideration (determined as aforesaid and converted if and to the extent not in HK dollars, into HK dollars as aforesaid) by the aggregate number of Ordinary Shares so issued.

5.8 Definitions

For the purposes of these Conditions:

“Alternative Stock Exchange” means, at any time, in the case of the H Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which such H Shares are then listed or quoted or dealt in;

“Capital Distribution” means, on a per Ordinary Share basis, (i) any distribution of assets *in specie* by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets *in specie* includes, without limitation, an issue of Ordinary Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Ordinary Share credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 5.3.2(i) and any Scrip Dividend is taken into account when determining any adjustment to the Conversion Price under Condition 5.3.2(ii)); and (ii) any cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described), translated into HK dollars at the Prevailing Rate as at the Effective Date unless it comprises a purchase or redemption of Ordinary Shares by or on behalf of the Issuer (or a purchase of Ordinary Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price or consideration (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Ordinary Shares by more than five per cent. either (1) on that date, or (2) where an announcement has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day;

“Closing Price” (i) in respect of an Ordinary Share of a class which are then listed, admitted to trading or quoted or dealt in on a stock exchange or securities market, means the closing market price for any Trading Day quoted by the principal stock exchange or securities market on which the Ordinary Shares of such class are then listed, admitted to trading or quoted or dealt in where, in the case of the H Shares, shall for the time being mean the closing price set out in the Daily Quotation Sheet published by the Hong Kong Stock Exchange and (ii) in respect of an Ordinary Share of a class which are then not listed, admitted to trading or quoted or dealt in on any stock exchange or securities market, should be deemed to be equal to the Closing Price of the H Shares;

“Current Market Price” means, in respect of an Ordinary Share of a class on a particular date, the average of the daily Closing Price on each of the 10 consecutive Trading Days ending on and including the Trading Day immediately preceding such date and (if necessary) translated into HK dollars at the Prevailing Rate as at the relevant date; provided that, if at any time during such 10 Trading Day period the Closing Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of

that period the Closing Price shall have been based on a price cum-dividend (or cum-any other entitlement), then:

- (a) if the Ordinary Shares of such class to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Shares of such class; or
- (b) if the Ordinary Shares of such class to be issued or transferred and delivered rank for the dividend or entitlement in question, the Closing Price on the dates on which the Ordinary Shares of such class shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of any such dividend or entitlement per Ordinary Shares of such class,

and provided that, if on each of the said 10 Trading Days the Closing Price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares of such class to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Shares of such class;

“Fair Market Value” means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Ordinary Share of the relevant class shall be the amount of such cash Capital Distribution per Ordinary Share of such class determined as at the date of announcement of such cash Capital Distribution and (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited or any successor thereto;

“H Share Stock Exchange Business Day” means any day (other than a Saturday or Sunday) on which the Hong Kong Stock Exchange or the Alternative Stock Exchange (as the case may be) is open for the business of dealing in securities;

“Independent Financial Advisor” means a reputable independent financial advisor with appropriate expertise selected and appointed by the Issuer and notified in writing to the Trustee.;

“Prevailing Rate” means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined, provided that in the case of any cash Capital Distribution in respect of the Ordinary Shares of any class, the “Prevailing Rate” shall be deemed to mean the average benchmark exchange rate between Renminbi and HK dollars calculated in a manner as specified in the articles of association of the Issuer, being at the date hereof the average closing price of HK dollars to Renminbi declared by the People’s Bank of China in the five trading days immediately preceding the date of the declaration of such cash Capital Distribution, and as announced by the Issuer in respect of such cash Capital Distribution;

“Relevant Cash Dividend” means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend;

“Relevant Page” means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters EURHKDH page (or its successor page) or such other information service provider that displays the relevant information;

“Scrip Dividend” means Ordinary Shares of any class issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Ordinary Shareholders concerned would or could otherwise have received; and

“Trading Day” means in respect of an Ordinary Share of a class, a day when the principal stock exchange of such Ordinary Share is open for dealing business where, in the case of the H Shares, shall for the time being mean the Hong Kong Stock Exchange and provided that in the case of the Domestic Invested Shares to the extent they remain unlisted, shall be deemed to mean the Hong Kong Stock Exchange; provided that, if no closing price is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

References to any issue or offer or grant to Ordinary Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Ordinary Shareholders, other than Ordinary Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

6 PAYMENTS

6.1 Method of Payment

Payment of principal and premium (if any) will be made by transfer to the registered account of the Bondholder. Payment of principal and premium (if any) will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

6.2 Registered Accounts

For the purposes of this Condition 6, a Bondholder's registered account means the Euro account maintained by or on behalf of it with a bank in a city in which banks have access to the TARGET2 System, details of which appear on the Register at the close of business on the second Payment Business Day (as defined in Condition 6.5) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

Payment of principal of, premium (if any) on, and any other amount due under, the Bonds evidenced by the Global Certificate will be made in accordance with the terms of the Global Certificate and the rules and practices of the relevant clearing system(s).

6.3 Fiscal Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

6.4 Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated or, in the case of a payment of principal or premium (if any), if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

6.5 Payment Business Day

In this Condition 6, “Payment Business Day” means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered, and which is also a day on which the TARGET2 System is operating.

7 REDEMPTION, PURCHASE AND CANCELLATION

7.1 Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at its outstanding principal amount on 20 January 2026 (the “Maturity Date”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 7.2 or Condition 7.3 below (but without prejudice to Condition 9).

7.2 Redemption at the Option of the Issuer

7.2.1 The Issuer may, having given not less than 30 nor more than 60 days’ notice (an “Optional Redemption Notice”) to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem all and not some only of the Bonds at their outstanding principal amount as at the relevant redemption date:

- (i) at any time after 20 January 2024 but prior to the Maturity Date, provided that no such redemption may be made unless the Closing Price of an H Share translated into Euro at the Prevailing Rate applicable on the relevant H Share Stock Exchange Business Day, for any 20 H Share Stock Exchange Business Days within a period of 30 consecutive H Share Stock Exchange Business Days, the last of such H Share Stock Exchange Business Days shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 H Share Stock Exchange Business Days, at least 130 per cent. of the Conversion Price (translated into Euro at the Fixed Exchange Rate) then in effect. If there shall occur an event giving rise to a change in the Conversion Price during any such 30 consecutive H Share Stock Exchange Business Day period, appropriate adjustments for the relevant days approved by an Independent Financial Advisor shall be made for the purpose of calculating the Closing Price of the H Shares for such days; or
- (ii) if at any time the aggregate principal amount of the Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued (including any Bonds issued pursuant to Condition 15).

Upon the expiry of the Optional Redemption Notice, the Issuer will be bound to redeem the relevant Bonds at their outstanding principal amount at the date fixed for such redemption.

- 7.2.2** The Trustee and the Agents shall have no obligation to confirm whether the circumstances giving rise to a right for the Issuer to redeem under this Condition 7.2 have in any case arisen and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

7.3 Redemption for Taxation Reasons

- 7.3.1** The Issuer may, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Agent and the Bondholders (which notice shall be irrevocable) redeem all but not some only of the Bonds at their outstanding principal amount as at the relevant redemption date (the "Tax Redemption Date"), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations or the stating of an official position with respect thereto (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 7.3.1, the Issuer shall deliver to the Trustee (a) a certificate in English signed by two directors of the Issuer who are also Authorised Signatories of the Issuer stating that the obligation referred to in (i) above of this Condition 7.3.1 cannot be avoided by the Issuer having taken reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders and the Trustee shall be protected and incur no liability to any Bondholder for or in respect of any action taken, omitted or suffered in reliance upon such certificate and opinion.
- 7.3.2** If the Issuer gives a notice of redemption pursuant to this Condition 7.3, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 8 shall not apply in respect of any payment of principal to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 8 and payment of all amounts shall be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the government of the PRC or Hong Kong or any authority thereof or therein having power to tax. For the avoidance of doubt, any Additional Tax Amounts which had been payable in respect of the Bonds as a result of the laws or regulations of the government of the PRC or Hong Kong or any authority thereof or therein having power to tax prior to 5 January 2021, will continue to be payable to such

Bondholders. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date. Such notice of election, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

7.4 Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 20 January 2024 (the "Put Option Date") at their outstanding principal amount on the Put Option Date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during normal business hours (being between 9.00 a.m. and 3.00 p.m. on a business day) a duly completed and signed notice (the "Put Option Notice") together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

7.5 Redemption for Relevant Events

7.5.1 Following the occurrence of a Relevant Event (as defined in Condition 7.5.5(vi)), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all but not some only such holder's Bonds on the Relevant Event Put Date (as defined below) at their outstanding principal amount as at the Relevant Event Put Date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent during normal business hours (being between 9.00 a.m. and 3.00 p.m. on a business day) a duly completed and signed notice of redemption (a "Relevant Event Put Exercise Notice"), in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "Relevant Event Put Date" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 7.5.1.

7.5.2 A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable may not be withdrawn without the Issuer's consent. The Issuer shall redeem the Bonds which form the subject of the Relevant Event Put Exercise Notices delivered as aforesaid (subject to delivery of the relevant Certificates) on the Relevant Event Put Date.

7.5.3 None of the Trustee or the Agents shall be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. The Agents and the Trustee will not be responsible or liable to the Bondholders or any other person for any loss arising from any failure by it to do so.

7.5.4 Not later than seven days after becoming aware of a Relevant Event, the Issuer shall procure that notice regarding the Relevant Event shall be delivered to Bondholders (in accordance with Condition 16) and to the Trustee in writing stating:

- (i) the Relevant Event Put Date;
- (ii) the date of such Relevant Event and, briefly, the events causing such Relevant Event;
- (iii) the date by which the Relevant Event Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) briefly, the Conversion Right and the then current Conversion Price;
- (vii) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise their rights under this Condition 7.5 or their Conversion Right; and
- (viii) that a Relevant Event Put Exercise Notice, once validly given, may not be withdrawn without the Issuer's consent.

7.5.5 For the purposes of this Condition 7.5:

- (i) "control" means (i) the ownership or control, directly or indirectly, of more than 50 per cent of the voting rights of the issued share capital of a person or (ii) the possession, directly or indirectly, of the power to nominate or designate more than 50 per cent of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to control another person so long as it fulfils any one of the three foregoing requirements;
- (ii) a "Change of Control" occurs when:
 - (a) People's Government of Zhejiang Province or any other person(s) directly or indirectly controlled by the People's Government of Zhejiang Province (as at the Issue Date being Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司)) in aggregate cease to control, directly or indirectly, the Issuer; or
 - (b) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other person, unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring control over the Issuer or the successor entity;
- (iii) a "Delisting" occurs when the H Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange;

- (iv) a “H Share Suspension in Trading” means the suspension in trading of the H Shares for a period of 30 consecutive H Share Stock Exchange Business Days;
- (v) a “person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s board of directors or any other governing board and does not include the Issuer’s wholly-owned direct or indirect subsidiaries;
- (vi) “Relevant Events” means the occurrence of any of (i) a Change of Control in the Issuer; (ii) a Delisting, or (iii) an H Share Suspension in Trading; and
- (vii) “voting rights” means the right generally to vote at general meetings of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

7.6 Purchases

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise. Such Bonds may, at the option of the Issuer or the relevant Subsidiary, be held, resold or cancelled. The Bonds so acquired, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle them to convert the Bonds in accordance with these Conditions nor shall such Bonds be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders and exercise any voting rights with respect to such Bonds.

7.7 Cancellation

All Bonds which are redeemed or converted will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

7.8 Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 7 will be irrevocable and will be given in accordance with Condition 16 specifying: (a) the Conversion Price as at the date of the relevant notice; (b) the last day on which Conversion Rights may be exercised; (c) the applicable redemption amount and premium (if any) payable; (d) the date fixed for redemption; (e) the manner in which redemption will be effected; and (f) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to these Conditions), the first in time shall prevail.

8 TAXATION

- 8.1** All payments made by or on behalf of the Issuer in respect of the Bonds will be made free from any deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. Where such withholding or deduction is made by the Issuer by or within the PRC at the PRC tax rate applicable on 5 January 2021 to payments from PRC resident enterprises to non-PRC enterprises (the “Applicable Rate”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, or any Hong Kong deduction or withholding is required, in such event that the Issuer shall pay such additional amounts (“Additional Tax Amounts”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts or additional amounts under the preceding sentence shall be payable in respect of any Bond:
- 8.1.1** to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of such holder or beneficial owner having or having had some connection with the PRC or Hong Kong, as the case may be, other than merely by holding the Bond or by the receipt of amounts in respect of the Bond;
 - 8.1.2** where the withholding or deduction could be avoided by the holder or beneficial owner making a declaration of non-residence or other similar claim for exemption to the appropriate authority or any other person which such holder is legally capable and competent of making but fails to do so; or
 - 8.1.3** (in the case of a payment of principal or premium (if any)) if the Certificate in respect of such Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.
- 8.2** Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.
- 8.3** “Relevant Date” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders.

- 8.4** References in these Conditions to principal shall be deemed also to refer to any additional amounts or premiums which may be payable under these Conditions or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 EVENTS OF DEFAULT

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in any such case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at their outstanding principal amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 5) if any of the following events (each an “Event of Default”) has occurred:

- 9.1** *Non-Payment*: a default is made in the payment of any principal or premium (if any) due in respect of the Bonds and is not remedied within seven Payment Business Days; or
- 9.2** *Default on Conversion*: failure by the Issuer to deliver the H Shares or pay the Cash Settlement Amount in Euro in respect of such H Shares as and when such H Shares are required to be delivered or such Cash Settlement Amount in Euro is required to be paid, as the case may be, following conversion of a Bond and is not remedied within five Trading Days in the case of delivery of the H Shares or five Payment Business Days in the case of payment of Cash Settlement Amount in Euro; or
- 9.3** *Breach of Other Obligations*: the Issuer does not perform or comply with one or more of its other obligations in the Bonds, the Agency Agreement or the Trust Deed which default in the opinion of the Trustee is incapable of remedy or, if capable of remedy in the opinion of the Trustee, is not remedied within 15 days after written notice of such default shall have been given to the Issuer by the Trustee; or
- 9.4** *Insolvency*: the Issuer or any Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of the debts of the Issuer or any of its Principal Subsidiaries; or
- 9.5** *Cross-Default*: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any present or future indebtedness in respect of moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9.5 have occurred equals or exceeds US\$50 million or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank, on

the day on which such indebtedness become due and payable or is not paid or any such amount become due and payable or is not paid under any such guarantee or indemnity); or

- 9.6** *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 45 days; or
- 9.7** *Winding-up*: a final order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- 9.8** *Security enforced*: an encumbrancer takes possession or an administrator or other receiver is appointed of the whole or any substantial part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries (as the case may be) and is not discharged within 30 days; or
- 9.9** *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, the Agency Agreement or the Trust Deed; or
- 9.10** *Authorisation and consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done by the Issuer in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds, the Agency Agreement and the Trust Deed admissible in evidence in the courts of the PRC or Hong Kong is not taken, fulfilled or done; or
- 9.11** *Nationalisation*: any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or
- 9.12** *Analogues Event*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9.1 to 9.11 (both inclusive).

The Trustee and the Agents shall not be bound to take any steps to ascertain whether any Event of Default or any condition, event or act which with the giving of notice and/or the lapse of time and/or fulfilment of any other conditions and/or the making of any determination would constitute an Event of Default has happened.

10 PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years from the Relevant Date in respect thereof.

11 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

11.1 Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and if it is indemnified and/or secured and/or prefunded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjournment of such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the principal amount of or Equivalent Amount in respect of the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify or cancel the Conversion Rights or the Bondholders put options specified in Condition 7 or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

11.2 Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 11.1 above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modification, waiver or authorisation will be notified by the Issuer to the Bondholders as soon as practicable thereafter.

11.3 Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 8 and/

or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 11.1) or a modification, waiver or authorisation in accordance with Condition 11.2, the Issuer will procure that the Bondholders be notified in accordance with Condition 16.

12 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and/or such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 ENFORCEMENT

At any time when the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it needs not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including from taking proceedings unless indemnified and/or secured and/or pre-funded of its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, advice or opinion, in which case such report, confirmation, certificate, advice or opinion shall be binding on the Issuer and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

15 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date and the timing for complying with the requirements set out in Conditions 3.2, 3.3 and 3.4) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal) and, so long as the Bonds are listed on the Hong Kong Stock Exchange and the rules of that stock exchange so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be the South China Morning Post). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

As long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or an alternative clearing system, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and such delivery shall be deemed to be valid for all purposes of these Conditions.

17 AGENTS

The Principal Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Agent, the Registrar or the Transfer Agent and to appoint additional or other Paying Agents, Transfer Agent and/or Conversion Agent, provided that the Issuer shall at all times maintain (i) a Principal Agent, (ii) a Registrar, (iii) a Conversion Agent (which may be the Principal Agent), (iv) a Transfer Agent (which may be the Registrar) and (v) such other agents as may be required by the Hong Kong Stock Exchange, in each case, as approved in writing by the Trustee.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Bond under the Contracts (Rights of Third Parties) Act 1999.

19 GOVERNING LAW AND JURISDICTION

19.1 Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with English law.

19.2 Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed (“Proceedings”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

19.3 Service of Process

Pursuant to the Trust Deed, process shall be served at the Issuer’s representative office in Hong Kong, which at the Issue Date is Suite 2910, 29/F, Bank of America Tower, 12 Harcourt Road, Hong Kong.

19.4 Waiver of Immunity:

The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each €100,000 in principal amount of Bonds for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bond. Deposit of the Global Certificate with the Principal Agent together with the relevant conversion notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any alternative clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such alternative clearing system, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

Bondholder's Redemption

The Bondholder's redemption option in Conditions 7.4 and 7.5 may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Redemption at the Option of the Issuer

The option of the Issuer provided for in Conditions 7.2 and 7.3 shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

Exchange of Bonds Represented by Global Certificates

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

USE OF PROCEEDS

The net proceeds from this offering, after the deduction of expenses payable in connection with this offering, will be approximately €229 million. The Company intends to use the proceeds for repaying existing borrowings.

CAPITALISATION OF THE GROUP

As at 30 June 2020, the total number of shares issued by the Company is 4,343,114,500 shares comprised of domestic shares and H Shares. The domestic shares are held by Communications Group as to 2,909,260,000 shares, representing approximately 67.0% of the total issued share capital of the Company. The remaining 1,433,854,500 shares are H Shares, representing approximately 33.0% of the total issued share capital of the Company.

The following table sets forth the Group's audited consolidated capitalisation as at 30 June 2020 and as adjusted to give effect to the issue of the Bonds before deduction of any fees, commissions and expenses. The table should be read in conjunction with the financial statements and the accompanying notes incorporated by reference in this Offering Circular.

| | As at 30 June 2020 | | | |
|--|-----------------------|--|-----------------------|--|
| | Actual | | As adjusted | |
| | (RMB in thousands) | (Euro in thousands ⁽¹⁾) | (RMB in thousands) | (Euro in thousands ⁽¹⁾) |
| Total borrowings⁽²⁾ | | | | |
| – current portion | | | | |
| Bank and other borrowings | 4,833,539 | 607,152 | 4,833,539 | 607,152 |
| Short-term financing note payable | 6,222,126 | 781,576 | 6,222,126 | 781,576 |
| Bonds payable | 398,445 | 50,050 | 398,445 | 50,050 |
| Convertible bonds | 5,094 | 640 | 5,094 | 640 |
| Total borrowings⁽³⁾ | | | | |
| – non-current portion | | | | |
| Bank and other borrowings | 8,398,600 | 1,054,968 | 8,398,600 | 1,054,968 |
| Bonds to be issued ⁽⁴⁾ | – | – | 1,831,030 | 230,000 |
| Bonds payable | 14,801,814 | 1,859,291 | 14,801,814 | 1,859,291 |
| Convertible bonds | 3,025,358 | 380,022 | 3,025,358 | 380,022 |
| Total borrowings. | 37,684,976 | 4,733,699 | 39,516,006 | 4,963,699 |
| Equity | | | | |
| Share Capital | 4,343,115 | 545,549 | 4,343,115 | 545,549 |
| Capital Reserve | 16,396,493 | 2,059,602 | 16,396,493 | 2,059,602 |
| Equity attributable to owners of the Company | 20,739,608 | 2,605,151 | 20,739,608 | 2,605,151 |
| Non-controlling interests | 10,478,700 | 1,316,254 | 10,478,700 | 1,316,254 |
| Total shareholders' equity | 31,218,308 | 3,921,405 | 31,218,308 | 3,921,405 |
| Total capitalisation⁽⁵⁾ | 68,903,284 | 8,655,104 | 70,734,314 | 8,885,104 |

Notes:

- (1) Based on the exchange rate of RMB7.9610 to €1.00.
- (2) Current portion of the total borrowings represents the aggregate balance of the loans, short-term financing note payable, bonds payable and convertible bonds.
- (3) Non-current portion of the total borrowings represents the aggregate balance of the loans, bonds payable and bonds to be issued.
- (4) The amount represents the aggregate principal amount of the Bonds to be issued, before deducting any underwriting commissions and other transaction costs and expenses payable in connection with the offering of the Bonds.
- (5) Total capitalisation represents the sum of the total borrowings and total shareholders' equity.

As at the date of this Offering Circular, there has been no material adverse change in the Group's consolidated capitalisation and indebtedness since 30 June 2020.

DESCRIPTION OF THE GROUP

Overview

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating of high-grade roads. The Company and its subsidiaries also carry out securities business and certain ancillary businesses such as hotel business.

Major assets under management of the Group include the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 141 km Shangsang Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway, the 82 km Huihang Expressway, the 92.9 km Shenjiahuhang Expressway and the 46.3 km Zhoushan Bay Bridge, and ancillary facilities along the six expressways and one bay bridge. Apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the five expressways and one bay bridge operated by the Group are situated within Zhejiang Province in the PRC. As at 30 June 2020, total assets of the Company and its subsidiaries amounted to RMB115,893.0 million. In addition, the Group also conducts the securities business through one of the Company's subsidiaries, Zheshang Securities which was listed on Shanghai Stock Exchange (Stock Code: 601878).

The Company was incorporated on 1 March 1997 as the main vehicle of the People's Government of Zhejiang Province for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province. The H Shares of the Company were listed on the Hong Kong Stock Exchange on 15 May 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on 5 May 2000. On 14 February 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares was established in the United States and became effective.

For the years ended 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue was RMB11,192.2 million, RMB11,955.3 million and RMB3,947.8 million, respectively. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the Group's gross profit was RMB5,385.4 million, RMB5,274.3 million and RMB591.8 million, respectively.

The toll roads business segment is the largest contributor to the Group's revenue and profit, and has provided the Group with stable cash flow growth. Driven by Zhejiang Province's steady economic development and as the condition of PRC's road network continues to improve, the traffic volume on the Group's expressways has recorded solid organic growth which in turn has contributed to the growth of the Group's revenue from its toll road operations. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue from its toll road business amounted to approximately RMB7,854.5 million, RMB8,061.0 million and RMB1,773.4 million, respectively, representing approximately 70.2%, 67.4% and 44.9% of the Group's total revenue for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. For the years ended 31 December 2018 and 2019, the profit from the Group's toll road business amounted to approximately RMB3,147.6 million and approximately RMB2,764.0 million, respectively, representing approximately 78.8% and approximately 62.6% of the Group's total profit for the years ended 31 December 2018 and 2019, respectively, while the Group's toll road business for the six months ended 30 June 2020 amounted to a loss of RMB55.6 million.

The securities business of the Group is conducted through one of the Company's subsidiaries, Zheshang Securities, which is principally engaged in the provision of securities brokerage services, margin financing and securities lending services, securities underwriting and sponsorship services, asset management, advisory services and proprietary trading. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue from its securities business amounted to approximately RMB2,921.3 million, RMB3,300.8 million and RMB2,091.9 million, respectively, representing approximately 26.1%, 27.6% and 53.0% of the Group's total revenue for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the profit from the Group's securities business amounted to approximately RMB468.7 million, RMB991.2 million and RMB660.4 million, respectively, representing approximately 11.7%, 22.5% and 69.8% of the Group's total profit for the years ended 31 December 2018 and 2019, respectively.

The Group's other business primarily consist of operation of the Grand New Century Hotel and Zhejiang Grand Hotel in Hangzhou and road construction services provided by De'an Co. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue from its other business amounted to approximately RMB416.4 million, RMB593.5 million and RMB82.5 million, respectively, representing approximately 3.7%, 5.0% and 2.1% of the Group's total revenue for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the profit from the Group's other business amounted to approximately RMB378.2 million, RMB659.7 million and RMB342.0 million, respectively, representing approximately 9.5%, 14.9% and 36.1% of the Group's total profit for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively.

Competitive Strengths

The Group believes that the following competitive strengths have contributed to its success and will continue to help maintain its leading market position and future prospects.

Sustained and Steady Development Potentials in China's Expressway Industry

The rapid growth of China's economy, significant development of industrialisation and urbanization and the adjustment of the economic structure bring substantial demand for transportation along expressways. Since China built its first expressway in 1988, China' expressway network has gone through rapid expansion. In 2014, the total length of expressways in the PRC has surpassed that of the United States of American and ranked No. 1 in the world.

China is still in a phase of rapid industrialisation and is still making substantial investments in the construction of roads. According to the statistics from National Bureau of Statistics of China, investment on road construction in the PRC reached RMB8,882.3 billion in 2018, representing an increase of 7.9% from the previous year. The Chinese Government has also contemplated to further optimise the network of transportation infrastructure in the PRC, with plans to improve expressway network density and service level in the Yangtze River economic zone, to promote the expansion of congested sections of expressways, and to build or reconstruct expressway with total length of around 1,700 kilometres. During the Thirteenth Five-Year period from 2016 to 2020. With steady development of economy and upgrading of industry in the PRC, it is expected that volume of passenger and freight transportation will continue to increase. The demand for expressways is also expected to continue to grow, in order to improve transportation efficiency and lower transportation costs. The volume of road passenger traffic in 2019 was 13.0 billion passengers, representing a decrease of 4.8% compared with the previous year, whereas the turnover volume of road passenger traffic was 885.7 billion passenger-kilometres, representing a decrease of 4.6% compared with the previous year. The volume of road freight traffic in 2019 was 41.6 billion tons and the turnover volume of road freight traffic was 7,483.6 billion ton-kilometres, representing an increase of 5.1% and 5.0%, respectively, compared with the previous year.

In the meantime, expressway industry in the PRC has benefited from favourable industrial policies promulgated by the PRC Government in recent years. For example, the Ministry of Transport of the PRC issued the Opinions on Comprehensively Deepening the Reform of the Transportation (《關於全面深化交通運輸改革的意見》) in December 2014 and issued a revised draft of the Regulation on the Administration of Toll Road (《收費公路管理條例》) for comment in December 2018, respectively. The relevant policies are expected to have positive effects on expressway operations in the PRC and are expected to help increasing the revenue and profits of companies engaged in the investment and operation of expressways, alleviating their indebtedness pressure and promoting their sustainable development. As at the date of this Offering Circular, the revised draft of the Regulation on the Administration of Toll Road is still being reviewed and revised.

In general, investment on transportation is an effective measure to stimulate domestic demand and promote regional development, and there is still significant room for the development of expressways in the PRC. The building of new roads and expansion of road network are expected to contribute to the steady growth of the performance of companies that engage in investment and operation of expressways in the PRC.

Leading Industry Position, High-quality Expressway Assets and Distinct Regional Advantages

The Company is a leading company that engages in the investment and operation of expressways in Zhejiang Province, with an expressway network that covers most regions in Zhejiang Province. As at 30 June 2020, the total length of expressways operated by the Group amounted to 802.1 kilometres, of which 720.5 kilometres are located in Zhejiang Province, representing 89.8% of the total length of expressways operated by the Group. Some of the expressways operated by the Group are important road traffic arteries for the social and economic development of Yangtze River Delta Region, including:

- *Shanghai-Hangzhou-Ningbo Expressway*, the first and the largest expressway in Zhejiang Expressway in terms of traffic volume. It connects two major ports, namely Shanghai and Ningbo, as well as a number of national top 100 counties in Zhejiang Province. Shanghai-Hangzhou-Ningbo Expressway is an important road traffic artery in Yangtze River Delta Region;
- *Shangsan Expressway*, which starts from Guzhu, Shaoxing and ends at Sanmen, Taizhou, and connects with the Shanghai-Hangzhou-Ningbo Expressway. It stretches across five counties with complex geological environment and was difficult to be constructed. Shangsan Expressway is a main traffic thoroughfare connecting Ningshao Plain and cities including Wenzhou and Taizhou, and is an important artery in the expressway network of Zhejiang Province;
- *Hanghui Expressway*, which starts from Liuxia, Hangzhou and ends at Yulingguan located at the border of Zhejiang Province and Anhui Province, is an important part of the provincial road and water transportation construction planning in Zhejiang Province and the modern road transportation planning in Hangzhou;
- *Huihang Expressway*, the Company acquired the Anhui section of Huihang Expressway through the acquisition of Huihang Co in 2016. Huihang Expressway has a total length of 81.6 kilometres and connects with Hanghui Expressway in Zhejiang Province;
- *Shenjiahuhang Expressway*, the Company acquired Shenjiahuhang Expressway through the acquisition of Shenjiahuhang Co in 2019. Shenjiahuhang Expressway has a total length of 92.9 kilometres and is divided into Huzhou section and Lianhang section; and

- *Zhoushan Bay Bridge*, the Company acquire Zhoushan Bay Bridge through the acquisition of Shenjiahuhang Co in 2019. Zhoushan Bay Bridge has a total length of 46.3 kilometres and connects Ningbo and Zhoushan, along with the intermediary islands in between.

Set out below is a map showing the location of expressways operated by the Group as at the date of this Offering Circular.



An expressway normally has monopoly in its vicinity. The regions where the main expressways operated by the Group are located normally have well-developed economy, distinct regional advantages and effective road-network, which provides a strong platform for the growth of the Group's toll income. Zhejiang Province's GDP, in 2019 amounted to RMB6,235.2 billion, representing an increase of 6.8% from 2018. In 2019, the annual turnover volume of road passenger traffic and freight traffic in Zhejiang Province reached 37.8 billion passengers-kilometres and 208.2 billion tons-kilometres, respectively. According to Zhejiang Province's Thirteenth Five-Year Plan, Zhejiang Province's GDP is planned to increase by approximately 6.3% during the Thirteenth Five-Year period, and the growth of residential income is planned to be on similar levels, with per capita GDP reaching approximately RMB104,200 in 2020. Such economic development have created substantial demand for transportation supported by construction of road infrastructure. In particular, Zhejiang Province plans to focus on improving the capacity of road network, with a target to reach a total length of expressways of 5,000 kilometres at the end of Thirteenth Five-Year period. The quality road assets and distinct regional advantages have contributed to the steady increase of traffic volume on the expressways operated by the Group, and continues to bring increasing toll road income for the Group. For example, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway was 64,127 and 30,347 for the year ended 31 December 2019, respectively, representing a CAGR of 5.8% and 0.2%, respectively, from 2017 to 2019. The total toll road revenue from the Shanghai-Hangzhou-Ningbo Expressway and Shangsang Expressway amounted to RMB4,142.9 million and RMB1,187.8 million for the year ended 31 December 2019, respectively, representing a CAGR of 4.8% and -2.3%, respectively, from 2017 to 2019.

Sufficient Shareholder Resources and Strong Support from the Government

The Company is controlled by the Communications Group. As at the date of this Offering Circular, the Communications Group holds approximately 67% of the total issued share capital of the Company. The Communications Group is in turn controlled by the State-owned Assets Supervision and Administration Commission of Zhejiang Province.

As the only listed state-owned expressway company in Zhejiang Province, the Company has systemically invested in and operated expressways in accordance with the development planning and investment strategy requirements of the PRC and People's Government of Zhejiang Province since its establishment. The Company is also supported by government authorities at different levels and receives preferential tax treatment from the relevant government departments.

The controlling shareholder of the Company, Communications Group, is the biggest wholly state-owned expressway investment and operation company in Zhejiang Province and the main entity that invests in the construction of expressways in Zhejiang Province. The Communications Group is the predominant player in the areas of construction investment, management and operation of expressways in Zhejiang Province. As at the date of this Offering Circular, the total length of expressways operated by the Group amounts to 802.1 kilometres. The sufficient road assets of the controlling shareholder and its leading industry position provide strong resources for the continued development of the Company, and helps the Company to maintain its leading position in the expressway industry in Zhejiang Province.

Through long-standing cooperation with government authorities at different levels in Zhejiang Province, the Company has developed a highly efficient working relationship and direct communication channels with the relevant governmental authorities. The Company has led or participated in the implementation and formulation of various industrial standards and policies in Zhejiang Province. The Company believes that it has developed a deep mutual trust with various governmental authorities, which has laid a solid foundation for the sustainable and healthy growth of the Group's businesses in the future.

Strong Securities Business that Effectively Supplements the Group's Business Structure

The Group has proactively cultivated and developed its financial business. Through Zheshang Securities, the Group carries out securities brokerage, investment banking, margin financing and securities lending and asset management businesses. As at the date of this Offering Circular, Zheshang Securities is a 58.7936% owned subsidiary of Shangsan Co, which is in turn a 73.625% owned subsidiary of the Company.

Zheshang Securities has obtained a complete set of licences and developed an extensive network. Since its reorganisation in 2006, Zheshang Securities has rapidly improved its industry position and gradually developed from a small regional broker into a national broker with A-class rating, with nearly a hundred sales outlets within the PRC. Relying on the advanced regional economies, Zheshang Securities has established sales outlets with a targeted focus in all municipalities in Zhejiang Province and other developed cities in PRC, and enjoys regional advantages within Zhejiang Province as well as a wide reach in other major regions in the PRC. As at 30 June 2020, Zheshang Securities had 9 subsidiaries, 22 branches and 100 securities sales branches.

Zheshang Securities has been playing an effective and supplemental role in promoting the overall business development of the Group. The Company believes that synergies between the Group's financial business and asset financing of the other businesses will be beneficial to the long-term development of the Group. For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, revenue from the Group's securities business amounted to RMB2,921.3 million, RMB3,300.8 million and RMB2,091.9 million, respectively, representing approximately 26.1%, 27.6% and 53.0%, respectively, of the Group's total revenue for the respective years. Profit from the Group's securities business amounted to RMB468.7 million, RMB991.2 million and RMB660.4 million for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively, representing approximately 11.7%, 22.5% and 69.8% of the Group's total profit for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively.

The A shares of Zheshang Securities have successfully listed on the Shanghai Stock Exchange on 26 June 2017. Leveraging its listing status, Zheshang Securities will be able to further enhance its capital strength, which will provide a solid foundation for the continued rapid development of the securities business.

Steady Business Performance, Sustainable Cash Flow, Healthy Capital Structure and Diversified Financing Channels

The Group's total revenue for the years ended 31 December 2018 and 2019 amounted to RMB11,192.2 million and RMB11,955.3 million, respectively, representing an annual increase of approximately 6.8%. The gross profit of the Group for the years ended 31 December 2018 and 2019 amounted to RMB5,385.4 million and RMB5,274.3 million, respectively, representing an annual decrease of approximately 2.1%.

The Group's total revenue for the six months ended 30 June 2019 and 2020 amounted to RMB5,722.1 million and RMB3,947.8 million, respectively, representing a year-on-year decrease of approximately 31.0%. The gross profit of the Group for the six months ended 30 June 2019 and 2020 amounted to RMB2,796.9 million and RMB591.8 million, respectively, representing a year-on-year decrease of approximately 78.8%.

As at 31 December 2018 and 2019 and the six months ended 30 June 2020, total assets of the Group amounted to RMB93,756.9 million, RMB104,577.0 million and RMB115,893.0, respectively. Majority of the expressway assets owned and operated by the Group are traffic arteries in Zhejiang Province. Due to regional economic growth and increasing car ownership in Zhejiang Province, most of the expressways operated by the Group have experienced increase in traffic volume and toll income. As at 30 June 2020, the remaining years of the operation of the expressways operated by the Company range from 7 to 15 years. Supported by quality road assets and sufficient cash flow from expressway operations, the Group has maintained a steady and healthy cash flow. Net cash generated from the Group's operating activities amounted to RMB3,216.3 million and RMB382.75 million for the year ended 31 December 2018 and 2019, respectively. Net cash generated from the Group's operating activities amounted to RMB1,304.8 million for the six months ended 30 June 2020 and the net cash used in the Group's operating activities amounted to RMB2,186.4 million for the six months ended 30 June 2019. Net increase in cash and cash equivalents of the Group amounted to RMB880.5 million and RMB1,473.9 million for the years ended 31 December 2018 and 2019, respectively. Net decrease in cash and cash equivalents of the Group amounted to RMB1,765.2 million for the six months ended 30 June 2020.

The Company has adopted prudent financial policies to maintain sufficient liquidity in order to satisfy its daily working capital demand and maintain stable dividend distribution. While the Group's businesses are growing rapidly, the management of the Company has adopted strict measures to manage and maintain its indebtedness level in order to ensure financial flexibility and mitigate liquidity risk. As a result of its good financial performance and prudent financial management, the Group has maintained a healthy level of indebtedness and a reasonable debt structure. As at 31 December 2018 and 2019 and 30 June 2020, the asset-liability ratio (total liabilities over total assets) of the Group was 64.9%, 69.4% and 73.1%, respectively. Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances held on behalf of customers) of the Group was 58.4%, 62.3% and 66.1% as at 31 December 2018 and 2019 and 30 June 2020, respectively.

Whilst maintaining a healthy level of indebtedness, the Group has also been committed to optimise its debt structure by exploring diversified financing channels, including overseas equity capital market, domestic bond market and long-term or short-term bank loans. The Company's H Shares were listed on the Hong Kong Stock Exchange in May 1997, making the Company the first provincial state-owned enterprise to list overseas. In May 2000, the Company obtained secondary listing of its H Shares on the London Stock Exchange. The Company has also issued various types of domestic bonds in the PRC, including corporate bonds, short-term financing notes and subordinated notes. From 2018 to 2019, the Company has raised a total of RMB3.0 billion through the issuance of various types of bonds in the PRC, of which RMB2.8 billion has been repaid as at the date of this Offering Circular. The Company believes that it enjoys good credit rating in the PRC. Since 2003, the Company has received and maintained a corporate credit rating of AAA from China Lianhe Credit Rating Co., Ltd. The Company has also maintained a good long-term relationship with a number of domestic and foreign commercial banks. As at the date of this Offering Circular, the Company has domestic commercial banking facilities for a total amount of RMB6.7 billion, of which RMB6.6 billion has not been withdrawn.

Efficient Corporate Governance and Experienced Management Team

Since it was established, the Company has accumulated extensive experience in the investment, operation and management of toll roads and has established a comprehensive investment decision-making and operational management system. Moreover, as a company listed on the Hong Kong Stock Exchange and the London Stock Exchange, the Company has established a standardized, transparent and effective corporate governance structure to enhance its market competitiveness and to build a solid foundation for maintaining steady development in the long term.

The Company has a professional and efficient management team. The core management team of the Company has over 20 years of experience in transportation, management, finance and accounting. The Company believes that its management team will continue to guide the Group in realising sustainable development in its business operations in the future.

Strategies

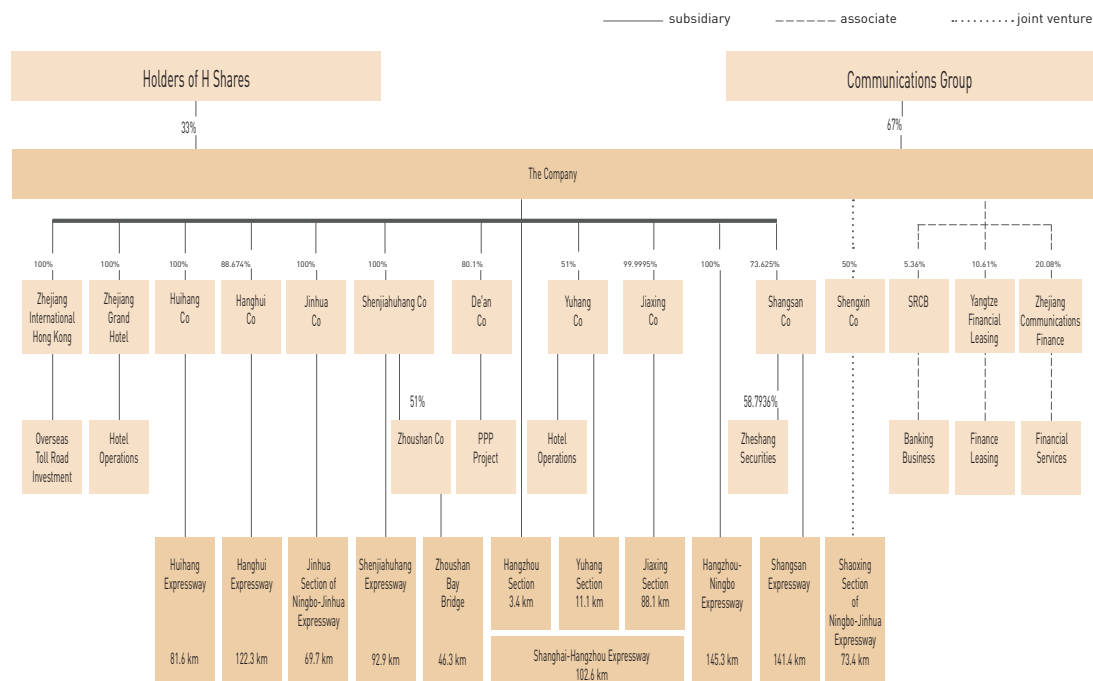
The Company is committed to become a leading investment holding corporate in the PRC, with the main business investing in and operating expressway infrastructure, as well as financial industry and selected diversified industries. The Group plans to adhere to “one business as core, with moderate diversity”, and create a “1+1+X” business structure, through continuing to expand the expressway business, prioritizing the financial and securities business, and proactively developing new businesses, in order to achieve steady growth of revenue and obtain sustainable development. In particular, the Group expects to focus on the following strategies:

- ***Continue to Expand Core Expressway Business.*** Taking advantages of its competitive strengths, the Group will proactively expand in the investment, construction, operation and maintenance of expressways, and further strengthen its market position as a leading expressway investor and operator in the PRC. The Group plans to actively explore the investment and acquisition opportunities which are outside of the Communications Group, outside of Zhejiang Province and/or overseas. At the end of the Thirteenth Five-Year Plan period, the Group aims to expand the total length of expressways operated by the Group to 1,000 km. Utilising the advantageous resources within the Group and from its controlling shareholder, the Group will proactively explore new business models, including integrated transportation investment and financing construction projects, PPP (public-private partnership) and expressway fund. The Group will focus on optimizing the quality of operational services, further enhancing marketing with a view to encourage the adoption of customer experience-oriented operational services and to improve efficiency of the toll roads operated by the Group. The Group intends to utilise operational big data, license plate recognition system and other information technologies to improve traffic flow analysis and checking on abnormal vehicles. The Group will also focus on enhancing the level of scientific maintenance management.
- ***Continue to Strengthen Securities Business.*** The Group will further enhance Zheshang Securities’ capabilities and continuously optimise its business structure. Zheshang Securities will continue to consolidate and enhance its market share in traditional securities brokerage business, and will proactively promote the development of other businesses that have significant potential, attractive rate of risked-return and in which Zheshang Securities has specific advantages. Zheshang Securities aims to strengthen its compliance and risk management measures to ensure full coverage of potential risks and that no major risk incidents will occur. Zheshang Securities will strive to establish as a financial holding platform to encourage the development of financial securities businesses, expand the financial industry value chain and promote synergy within the Group.
- ***Cultivate and Develop New Businesses.*** Taking advantages of the investment and financing, operational management and investment research capabilities among different members of the Group, the Group will conduct research and expand its efforts in developing innovative businesses which are in line with the trend of economic development in the PRC and industrial directions of provincial and national governments.

- ***Improve Application of Scientific and Information Technologies.*** The Group will evaluate the effectiveness of self-service card issue system and develop and promote electronic and mobile phone payment methods to enhance operational efficiency. Given that China has announced that it will remove expressway toll stations on provincial borders, the Group will continue to promote the construction of ETC lanes to enhance traffic efficiency at its toll stations, improve its expressway service capabilities, and deepen its efforts to build up our brand. The Group will explore various mechanical equipment for road maintenance and cleaning, evaluate and promote traffic volume warning system, improve guidance on traffic flow and accelerate its emergency response time. The Group will also speed up the implementation of intelligent applications for the Shanghai-Hangzhou-Ningbo Expressway and improve its big data analytic capabilities for road networks, with an aim to increase traffic volume, assure safe and smooth traffic flow, and actively strengthen the Group's core competitiveness in intelligent expressways.
- ***Enhance Management Capabilities in Investments and Financing.*** The Group will actively explore innovative investment models and further utilise the financial instruments of the capital markets with a view to reducing capital costs and maintaining an optimal capital structure. The Group will at the same time improve its internal fund management, so as to fully exploit the Group's competitive advantage in investments and financing and enhance the overall competitiveness of the Group's businesses.
- ***Strengthen Organisational Capability and Develop Talent Team.*** The Group will continue to improve management efficiency, optimise organisational and management structure and enhance operational mechanism with a view to establish an investment decision-making system that is market-oriented, in line with the Group's expansion requirements and which will effectively improve management and operational efficiency. The Group will strive to establish a human resources management system that motivates employees, attracts suitable talents and maximises the overall interests of the Group. The Group will actively study and promote the formation and implementation of employee incentive plans and employee training programmes in order to achieve the mutual growth of the Group and its employees.

Corporate Structure of the Group

The chart below sets forth the shareholding structure of the Company as at the date of this Offering Circular.



Business

The Group's businesses consist of its toll road business, securities business and other business. The Group's principal activities are set out as follows:

- (a) the operation, and management of high grade roads and the collection of the expressway tolls;
- (b) the provision of securities broking services, futures business, margin financing and securities lending services, securities underwriting and sponsorship services, asset management, advisory services and proprietary trading; and
- (c) the operation of hotel and road construction.

The following table sets forth the revenue and results of each of the Group's operating segments:

| | For the year ended 31 December | | | For the six months ended 30 June | | |
|-------------------------------------|--------------------------------|--------------------------|--------------------|----------------------------------|-------------------------|----------------------|
| | 2019 | 2018 | % Change | 2020 | 2019 | % Change |
| | RMB'000 | RMB'000 | | RMB'000 | RMB'000 | |
| Toll revenue | | | | | | |
| Shanghai-Hangzhou-Ningbo | | | | | | |
| Expressway | 4,142,879 | 4,018,598 | 3.1% | 898,328 | 1,997,255 | -55.0% |
| Shangsan Expressway | 1,187,813 | 1,232,410 | -3.6% | 270,782 | 585,824 | -53.8% |
| Jinhua Section, Ningbo-Jinhua | | | | | | |
| Expressway | 437,095 | 386,722 | 13.0% | 106,387 | 204,034 | -47.9% |
| Hanghui Expressway | 579,551 | 527,181 | 9.9% | 136,331 | 287,703 | -52.6% |
| Huihang Expressway | 138,506 | 137,459 | 0.8% | 34,950 | 76,652 | -54.4% |
| Shenjiahuhang Expressway | 694,497 | 696,791 | -0.3% | 142,171 | 330,300 | -57.0% |
| Zhoushan Bay Bridge | 880,666 | 855,323 | 3.0% | 184,497 | 400,576 | -53.9% |
| Subtotal | 8,061,007 | 7,854,484 | 2.6% | 1,773,446 | 3,882,344 | -55.4% |
| Securities business revenue | | | | | | |
| Commission and fee income | 1,727,942 | 1,462,798 | 18.1% | 1,295,059 | 853,765 | 51.7% |
| Interest income | 1,572,835 | 1,458,476 | 7.8% | 796,849 | 787,455 | 1.2% |
| Subtotal | 3,300,777 | 2,921,274 | 13.0% | 2,091,908 | 1,641,220 | 20.1% |
| Other operation revenue | | | | | | |
| Hotel operation | 169,576 | 177,861 | -4.7% | 41,559 | 80,085 | -48.1% |
| Construction revenue | 423,906 | 238,580 | 77.7% | 40,922 | 118,452 | -65.5% |
| Subtotal | 593,482 | 416,441 | 42.5% | 82,481 | 198,537 | -58.5% |
| Total revenue | <u>11,955,266</u> | <u>11,192,199</u> | <u>6.8%</u> | <u>3,947,835</u> | <u>5,722,101</u> | <u>-31.0%</u> |

Toll Road Business

Expressway Operations

As at 30 June 2020, the total length of expressways operated by the Group has reached 802.1 kilometres. All of the roads operated by the Group are expressways. The following table sets forth the expressways operated by the Group as at 30 June 2020:

| No. | Expressway | Start and end points | National expressway network (No.) | Construction Length(km) | Category | Date of opening to traffic | Period of concession | Ownership percentage (%) |
|--------------|--|--|-----------------------------------|-------------------------|-----------------|----------------------------|----------------------|--------------------------|
| 1 | Jiaxing Section, Shanghai-Hangzhou Expressway (滬杭高速公路嘉興段) | Shanghai-Hangzhou | Shanghai-Kunming (G60) | 88.1 | Commercial Road | 1998 | 30 Years | 99.9995 |
| 2 | Yuhang Section, Shanghai-Hangzhou Expressway (滬杭高速公路余杭段) | Shanghai-Hangzhou | Shanghai-Kunming (G60) | 11.1 | Commercial Road | 1995-1998 | 30 Years | 51 |
| 3 | Hangzhou Section, Shanghai – Hangzhou Expressway (滬杭高速公路杭州段) | Shanghai-Hangzhou | Shanghai-Kunming (G60) | 3.4 | Commercial Road | 1995 | 30 Years | 100 |
| 4 | Hangzhou-Ningbo Expressway (杭甬高速公路) | Hangzhou-Ningbo | Hangzhou Bay Loop (G92) | 145.3 | Commercial Road | 1992-1996 | 30 Years | 100 |
| 5 | Shangsan Expressway (上三高速公路) | Shangyu – Sanmen | Changshu – Taizhou (G15W) | 141.4 | Commercial Road | 2000 | 30 Years | 73.625 |
| 6 | Jinhua Section of the Ningbo-Jinhua Expressway (甬金高速公路金華段) | Baifengling – Hongtangfan | Ningbo-Jinhua (G1512) | 69.7 | Commercial Road | 2005 | 25 Years | 100 |
| 7 | Changhua to Yulingguan Section, Hanghui Expressway (杭徽高速昌化至昱嶺關段) | Changhua – Yulingguan Section, Hanghui Expressway | Hangzhou to Ruili (G56) | 36.7 | Commercial Road | 2004 | 25 Years | 88.674 |
| 8 | Wangjiabu to Changhua Section, Hanghui Expressway (杭徽高速汪家埠至昌化段) | Wangjiabu – Changhua Section, Hanghui Expressway | Hangzhou to Ruili (G56) | 67.3 | Commercial Road | 2006 | 25 Years | 88.674 |
| 9 | Liuxia to Wangjiabu Section, Hanghui Expressway (杭徽高速留下至汪家埠段) | Liuxia – Wangjiabu Section, Hanghui Expressway | Hangzhou to Ruili (G56) | 18.3 | Commercial Road | 2006 | 25 Years | 88.674 |
| 10 | Huihang Expressway (徽杭高速) | Yulingguan-Tunxi Wuliting Section | Hangzhou to Ruili (G56) | 81.6 | Commercial Road | 2004 | 25 Years | 100 |
| 11 | Huzhou Section, Shenjiahuhang Expressway (申嘉湖杭高速公路湖州段) | Lianshi Town, Nanxun District, Huzhou City – Wuxing District, Huzhou City | Shengjiahuhang (S12) | 42.0 | Commercial Road | 2008 | 25 Years | 100 |
| 12 | Lianhang Section, Shenjiahuhang Expressway (申嘉湖杭高速公路練杭段) | Lianshi Town, Nanxun District, Huzhou City – Chongxian Town, Yuhang District | Lianhang (S13) | 50.9 | Commercial Road | 2010 | 25 Years | 100 |
| 13 | Zhoushan Bay Bridge (舟山跨海大橋) | Ningbo – Zhoushan | Ningbo – Zhoushan (G9211) | 46.3 | Commercial Road | 2009 | 25 Years | 51 |
| Total | | | | 802.1 | | | | |

Note:

The Group's Hangzhou-Ningbo Expressway, Shanghai-Hangzhou Expressway and Shangsans Expressway were opened before the promulgation of the Regulations on the Administration of Toll Roads (State Council Decree No. 417 of 2004) (《收費公路管理條例》(國務院令2004年第417號)). According to Jiao Cai Fa No.46〔1997〕(交財發(1997)46號) and Jiao Cai Fa No. 694〔1997〕(交財發(1997)694號) of the Ministry of Communications, the Group's Hangzhou-Ningbo Expressway, Shanghai-Hangzhou Expressway and Shangsans Expressway were approved for 30 years of toll collection, thus their operating periods exceed 25 years, while Shenjiahuhang Expressway and Zhoushan Bay Bridge were approved for 25 years of toll collection.

Below is a general overview of each of the expressways operated and managed by the Group:

i) *Shanghai-Hangzhou-Ningbo Expressway*

Completed in late 1998, Shanghai-Hangzhou-Ningbo Expressway is the first expressway in operation and the largest one by traffic volume in Zhejiang Province. In addition, it is the first expressway in Zhejiang Province that is built and expanded on a deep soft foundation. It connects two major ports, namely Shanghai and Ningbo, as well as a number of national top 100 counties in Zhejiang Province. Shanghai-Hangzhou-Ningbo Expressway is an important road traffic artery in Yangtze River Delta Region;

Shanghai-Hangzhou-Ningbo Expressway starts from Fengjing, Jiaxing and ends at Dazhujia, Ningbo across four municipalities including Jiaxing, Hangzhou, Shaoxing and Ningbo. With a total length of 247.9 km, its main line connects with Hangzhou Bay Bridge, Zhapu-Jiaxing-Suzhou Expressway, Hang-Pu Expressway, Hangzhou Ring Expressway, Hangzhou-Jinhua-Quzhou Expressway, Shangsans Expressway, Ningbo Ring Expressway and Ningbo-Taizhou-Wenzhou Expressway. There are 6 grand bridges, 25 large bridges, 170 medium bridges, 97 small bridges, 345 culverts, 394 tunnels, 17 interchanges, 46 grade separations, 24 toll stations and 4 service areas in total along Shanghai-Hangzhou-Ningbo Expressway, with a total green area of 2,449 square kilometres. Shanghai-Hangzhou-Ningbo Expressway was designed to the standards of expressways in flat or rolling terrain, at a designed speed of 120 km/h. In order to meet the increasing traffic demand and as laid down in policy decisions by Zhejiang Provincial Party Committee and People's Government of Zhejiang Province, the Company has commenced the expansion of Shanghai-Hangzhou-Ningbo Expressway to a two-way, eight-lane road from 2000 which was completed on the end of 2007.

ii) *Shangsans Expressway*

With a total length of 141 km, Shangsans Expressway's main line starts from Guzhu, Shaoxing and ends at Sanmen, Taizhou, connecting with the Shanghai-Hangzhou-Ningbo Expressway. Completed and opened to traffic at the end of 2000, it stretches across five counties including Shangyu, Shengzhou, Xinchang, Tiantai and Sanmen, and connects Ningbo-Jinhua Expressway through Shengzhou Hub. Shangsans Expressway passes through flat and soft-bottom terrain and mountainous or hilly terrain areas, with high embankment, high slope, high pier, high retaining wall, complex geology and complex soft soil. Shangsans Expressway was designed to the standards of expressways in flat or rolling terrain and mountainous or hilly terrain. It is a two-way, four-lane expressway at calculated driving speed of 60-100 km/h. There are 35 large bridges, 44 medium bridges, 109 small bridges, 15 main line overpasses, 23 interchange ramps, 535 culverts, 6 tunnels and 3 service areas in total (on a parallel basis) along Shangsans Expressway.

iii) *Jinhua Section of the Ningbo-Jinhua Expressway*

With a total length of 70 km, Jinhua Section of the Ningbo-Jinhua Expressway's main line starts from Baifengling Tunnel located at the boarder of Shengzhou and Dongyang, passing through Dongyang, Yiwu and Jindong District to its end point Hongtangfan, Fucun Town at which it is connected with Hangzhou-Jinhua-Quzhou Expressway. Completed and opened to traffic in 2005, the whole line was constructed to the standards of four-lane expressways, with main line design speed of 100km/h, including 26 large and 58 medium bridges with a total length of 19,146 linear meters, 9 tunnels, 106 small bridge channels, 290 culverts, 7 interchanges, 7 toll stations, one service area and one hub with a housing construction area of 19,609 square meters.

iv) *Hanghui Expressway*

With a total length of 122 km, Hanghui Expressway's main line starts from Liuxia, Hangzhou, at which it connects with Hangzhou Ring Expressway, and ends at Yulingguan located at the border of Zhejiang Province and Anhui Province at which it connects with Huangshan-Yulingguan Expressway. It is one of the connecting lines of the backbone network of expressways featuring "two vertical lines, two horizontal lines, ten connecting lines" as laid down in the Zhejiang Provincial Road and Water Transport Construction Planning (2001-2015) (浙江省公路水運交通建設規劃), as well as one of the connecting lines in the modern road transport system in Hangzhou featuring "one ring, three lines, three connecting lines, four hubs". Changhua-Yulingguan Section (K85 + 606 – K122 + 286) was completed and opened to traffic at the end of December 2004; Liuxia-Changhua Section (K0 + 000 – K85 + 606) was completed and opened to traffic on 26 December 2006, including 43 km (K42 +300 – K85 +606) converted from a Class 1 road that was opened to traffic in 200. The whole line was designed to the standards of four-lane expressways, having 182 bridges (29,156 linear meters), 408 culverts, 7 tunnels (14 holes, with 5,374 linear meters on a single-hole basis), 13 toll stations, 1 service area in Longgang, 1 service area in Lin'an, 1 monitoring command center and other facilities for safety, maintenance, power supply, lighting, communications, etc.

v) *Huihang Expressway*

With a total length of 82 km, Huihang Expressway's main line starts from Liyang Dawandao of the accommodation road of Huangshan Tunxi International Airport and ends at Yulingguan (the boundary between Zhejiang Province and Anhui Province), intersecting with provincial road S103. Completed and opened to traffic in 2004, the whole line was constructed to the standards of fully closed, all inter-changed, two-way and four-lane expressways in hilly area, with design speed of 80km/h for main line and 60km/h for especially difficult section. There are 4 grand bridges, 27 large bridges and 62 medium and small bridges with a total length of 11,290 linear meters, 11 tunnels, 282 culverts, 75 entercloses, 20 interchanges, 2 toll stations, 3 ramp toll stations, 2 parking lots, 1 maintenance working area, 1 traffic police office building, and subgrade earthwork of 18.7 million square meters. There are also other projects including protection engineering, drainage engineering, ecological restoration and plant engineering.

vi) *Shenjiahuhang Expressway*

With a total length of 93 km, Shenjiahuhang Expressway is divided into Huzhou section and Lianhang section. The Huzhou section starts from Lianshi Town at Nanxun District, Huzhou City, and ends at Wuxing District at Huzhou City, for a total length of 42.0 km, with design speed of 120 km/h for main line. There are 4 grand bridges, 35 large bridges, 31 medium bridges, 9 small bridges, 46 tunnels, 1 culvert, 3 toll stations and 1 service area for the Huzhou section. The Lianhang section starts from Lianshi Town at Nanxun District, Huzhou City, and ends at Chongxian Town, Yuhang District for a total length of 50.9 km, with design speed of 120 km/h for main line. There are 5 grand bridges, 49 large bridges, 38 medium bridges, 7 small bridges, 7 toll stations and 1 service area for the Huzhou section.

vii) *Zhoushan Bay Bridge*

Zhoushan Bay Bridge connects Ningbo and Zhoushan, along with the intermediary islands in between. It has total length of 46 km and is designed as a two-way four-lane bridge with 100km/h speed limit. The Zhoushan Bay Bridge consists of 5 bridges including Cengang Bridge, Xiangjiaomen Bridge, Taoyumen Bridge, Xiqiaomen Bridge and Jintang Bridge, of which Jintang Bridge is the largest with the total length of 26.5 km. There are 1 tunnel, 8 toll stations and 1 service area for the Zhoushan Bay Bridge.

The following table sets forth the design flow of the Group's expressways as at 30 June 2020:

| Expressway | Location | Category | Length(km) | Design flow(vehicle count) |
|--|-----------------|-----------------|-------------------|-----------------------------------|
| Shanghai-Hangzhou-Ningbo Expressway | Eastern Region | Commercial Road | 247.9 | 60,000-100,000 |
| Shangsan Expressway | Eastern Region | Commercial Road | 141.4 | 25,000-55,000 |
| Jinhua Section of the Ningbo-Jinhua Expressway | Eastern Region | Commercial Road | 69.7 | 25,000-55,000 |
| Hanghui Expressway | Eastern Region | Commercial Road | 122.3 | 25,000-55,000 |
| Huihang Expressway | Eastern Region | Commercial Road | 81.6 | 25,000-55,000 |
| Shenjiahuhang Expressway | Eastern Region | Commercial Road | 92.9 | 25,000-55,000 |
| Zhoushan Bay Bridge | Eastern Region | Commercial Road | 46.3 | 25,000-50,000 |

During the years ended 31 December 2018 and 2019, the average daily traffic volume in full-trip equivalents along the Group's Shanghai-Hangzhou-Ningbo Expressway was 61,898 and 64,127, respectively, representing an increase of 8.1% and 3.6% year-on-year, respectively. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 65,500 and 64,490, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 9.5% and a decrease of 1.5% year-on-year, respectively, and that along the Hangzhou-Ningbo Section was 59,324 and 63,867, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 7.0% and 7.7% year-on-year, respectively. Average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 30,769 and 30,347, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 1.8% and a decrease of 1.4% year-on-year, respectively. Average daily traffic volume in full-trip equivalents along the Jinhua Section of the Ningbo-Jinhua Expressway was 21,116 and 24,332, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 7.1% and 15.6% year-on-year, respectively. Average daily traffic volume in full-trip equivalents along the Hanghui Expressway was 19,320 and 21,430, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 10.4% and 10.9% year-on-year, respectively. Average daily traffic volume in full-trip equivalents along the Huihang Expressway was 7,788 and 7,962, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 7.6% and 2.2% year-on-year, respectively. Average daily traffic volume in full-trip equivalents along the Shenjiahuhang Expressway was 28,371 and 30,575, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 12.5% and 7.8% year-on-year, respectively. Average daily traffic volume in full-trip equivalents along the Zhoushan Bay Bridge was 20,738 and 21,834, respectively, during the years ended 31 December 2018 and 2019, representing an increase of 9.6% and 5.3% year-on-year, respectively.

The following tables set forth the traffic volume and toll income of the Company's expressways for the years ended 31 December 2018 and 2019:

Traffic volume of Group's expressways for the years ended 31 December 2018 and 2019

| Expressway | Average daily traffic flow (vehicle count) | |
|--|--|--------|
| | For the year ended 31 December | |
| | 2018 | 2019 |
| Shanghai-Hangzhou-Ningbo Expressway | 61,898 | 64,127 |
| Shangsan Expressway | 30,769 | 30,347 |
| Jinhua Section of the Ningbo-Jinhua Expressway | 21,116 | 24,332 |
| Hanghui Expressway | 19,320 | 21,430 |
| Huihang Expressway | 7,788 | 7,962 |
| Shenjiahuhang Expressway | 28,371 | 30,575 |
| Zhoushan Bay Bridge | 20,738 | 21,834 |

Toll revenue income of Group's expressways for the years ended 31 December 2018 and 2019

| Expressway | Average daily toll income RMB'000 | | Accumulative toll income RMB'000 | | YoY(%) | |
|--|-----------------------------------|------------------|----------------------------------|------------------|--------------------------------|------------|
| | For the year ended 31 December | | For the year ended 31 December | | For the year ended 31 December | |
| | 2018 | 2019 | 2018 (Restated) | 2019 | 2018 | 2019 |
| Shanghai-Hangzhou-Ningbo Expressway | 11,009.86 | 11,350.35 | 4,018,598 | 4,142,879 | 6.5 | 3.1 |
| Shangsan Expressway | 3,376.47 | 3,254.28 | 1,232,410 | 1,187,813 | (1.0) | (3.6) |
| Jinhua Section of the Ningbo-Jinhua Expressway | 1,059.51 | 1,197.52 | 386,722 | 437,095 | 6.7 | 13.0 |
| Hanghui Expressway | 1,444.33 | 1,587.81 | 527,181 | 579,551 | 10.4 | 9.9 |
| Huihang Expressway | 376.60 | 379.47 | 137,459 | 138,506 | 6.5 | 0.8 |
| Shenjiahuhang Expressway | 1,909.02 | 1,902.73 | 696,791 | 694,497 | 11.2 | (0.3) |
| Zhoushan Bay Bridge | 2,343.35 | 2,412.78 | 855,323 | 880,666 | 11.7 | 3.0 |
| Total | 21,519.14 | 22,084.94 | 7,854,484 | 8,061,007 | 6.5 | 2.6 |

Note:

As the Shengjiahuhang Expressway and Zhoushan Bay Bridge were acquired by the Group in April 2019, the average daily toll income and accumulative toll income of Shengjiahuhang Expressway and Zhoushan Bay Bridge in 2019 are calculated from January 2019 to December 2019.

The following tables set forth the traffic volume and toll income of the Company's expressways for the six months ended 30 June 2019 and 2020:

Traffic volume of the Group's expressways for the six months ended 30 June 2019 and 2020

| Expressway | Average daily traffic flow (vehicle count) | |
|--|--|--------|
| | For the six months ended 30 June | |
| | 2019 | 2020 |
| Shanghai-Hangzhou-Ningbo Expressway | 60,737 | 62,721 |
| Shangsan Expressway | 29,945 | 33,639 |
| Jinhua Section of the Ningbo-Jinhua Expressway | 23,195 | 24,718 |
| Hanghui Expressway | 21,842 | 22,792 |
| Huihang Expressway | 9,235 | 10,237 |
| Shenjiahuhang Expressway | 28,832 | 27,370 |
| Zhoushan Bay Bridge | 20,113 | 16,947 |

Toll revenue income of the Group's expressways for the six months ended 30 June 2019 and 2020

| Expressway | Average daily toll income RMB'000 | | Accumulative toll income RMB'000 | | YoY (%) | |
|--|--------------------------------------|-----------------|-------------------------------------|------------------|----------------------------------|---------------|
| | For the six months ended 30 June | | For the six months ended 30 June | | For the six months ended 30 June | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Shanghai-Hangzhou-Ningbo Expressway | 10,913.99 | 4,908.91 | 1,997,260 | 898,330 | 3.4 | (55.0) |
| Shangsan Expressway | 3,201.20 | 1,479.67 | 585,820 | 270,780 | (5.0) | (53.8) |
| Jinhua Section of the Ningbo-Jinhua Expressway | 1,116.39 | 581.37 | 204,030 | 106,390 | 10.7 | (47.9) |
| Hanghui Expressway | 1,572.13 | 744.97 | 287,700 | 136,330 | 10.7 | (52.6) |
| Huihang Expressway | 418.85 | 190.98 | 76,650 | 34,950 | 3.3 | (54.4) |
| Shenjiahuhang Expressway | 1,804.92 | 776.89 | 330,300 | 142,170 | (1.3) | (57.0) |
| Zhoushan Bay Bridge | 2,188.96 | 1,008.20 | 400,580 | 184,500 | (3.0) | (53.9) |
| Total | 21,216.44 | 9,690.99 | 3,882,340 | 1,773,450 | 2.4 | (54.3) |

Note:

As the Shenjiahuhang Expressway and Zhoushan Bay Bridge were acquired by the Group in April 2019, the average daily toll income and accumulative toll income of Shenjiahuhang Expressway and Zhoushan Bay Bridge in for the six months ended 30 June 2019 are calculated from January 2019 to June 2019.

viii) *Shaoxing Section of the Ningbo-Jinhua Expressway*

Zhejiang Shaoxing Shengxin Expressway Co., Ltd., a 50%-owned joint venture of the Company, operates the 73.4 km Shaoxing Section of the Ningbo-Jinhua Expressway. During the year ended 31 December 2018 and 2019 and the six months ended 30 June 2020, the average daily traffic volume in full-trip equivalents along the Shaoxing Section of the Ningbo-Jinhua Expressway was 20,678, 21,655 and 20,896 (excluding the traffic volume during the toll-free period from 17 February 2020 to 5 May 2020), respectively, representing an increase of 7.6% and 4.7% year-on-year, respectively. Toll revenue of the Shaoxing Section of the Ningbo-Jinhua Expressway during the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 was RMB417.4 million, RMB426.7 million and RMB102.1 million, respectively. During the year ended 31 December 2019, the joint venture turned profitable for the first time and reported a net profit of RMB69.9 million. However, during the six months ended 30 June 2020, the joint venture recorded a loss of RMB50.58 million due to the adverse impact of the COVID-19 epidemic and the toll-free policy.

Toll Fee Settlement

The expressway toll collection system in Zhejiang Province is established on a centralized basis. In view of different owners of different roads in the provincial road network, the principles of (i) networking toll collection; (ii) centralised management; (iii) one pass ticket for all tolls and (iv) settlement on an “as incurred” basis are followed such that there is no main line toll station in the expressway network in Zhejiang Province and network toll collection is implemented, so that the vehicles can run smoothly in the road network in Zhejiang Province.

The expressway toll collection and settlement system in Zhejiang Province is a three tiered system comprised of provincial toll settlement center, toll administration sub-centers and toll stations (including station rooms and toll lanes). The toll settlement center is located at the expressway toll center of Zhejiang Provincial Communication Department, and is mainly responsible for real-time administration, toll fee split of provincial expressway network toll collection, and clearing and transfer of toll revenue through banks; the toll administration sub-centers are located at operating and managing units in the road network, and are responsible for overseeing and deploying the operations of toll stations in their respective road sections under the unified management of the central system, and perform data verification with the central system; the toll station system is mainly responsible for real-time management of toll collections at entrances and exits and toll data transmission.

Toll Rates

i) Passenger Vehicle Classification and Toll Rates

The following table sets forth the toll rates on the expressways under the Group as at the date of this Offering Circular:

| Vehicle Class | Classification standard | Toll rates of expressways in Zhejiang Province for passenger vehicles | | Toll rates of Huihang Expressway for passenger vehicles |
|---------------------|--|---|---------------------|---|
| | | Mileage fee (RMB/vehicle/km) | Trip fee (RMB/trip) | Mileage fee (RMB/vehicle/km) |
| 1 Passenger vehicle | ≤ 9 seats (with a length less than 6m) | 0.40 | 5 | 0.45 |
| 2 Passenger vehicle | 10-19 seats (with a length less than 6m) Passenger car trailer | 0.40 | 5 | 0.8 |
| 3 Passenger vehicle | ≤39 seats (with a length no less than 6m) | 0.80 | 10 | 1.1 |
| 4 Passenger vehicle | ≥40 seats (with a length no less than 6m) | 1.20 | 15 | 1.3 |

Notes:

- (1) For Shanghai-Hangzhou Expressway, the mileage fee for class 1 and class 2 passenger vehicles is RMB0.45/vehicle/km.

ii) Toll Rates on Goods Vehicles

Pursuant to the Reply of General Office of People's Government of Zhejiang Province on Revising Pilot Program of Weight-based Toll Rates for Goods Vehicles on Expressways in Zhejiang Province (Zhe Zheng Ban Han[2018]No. 29) 《浙江省人民政府辦公廳關於修訂〈全省高速公路貨車計重收費費率試行方案〉的復函》(浙政辦函〔2018〕29號)), the new weight-based toll rate policy became effective on loaded motor vehicles (except for container vehicles) from 14 May 2018.

The following table sets forth the toll rates on trucks and special motor vehicles on the expressways under the Group as at the date of this Offering Circular:

Toll rates on goods vehicles on the Huihang Expressway as at the date of this Offering Circular

| Class | Classification standard | Toll rates of expressways in Zhejiang Province for trucks and special motor vehicles | Toll rates of Huihang Expressway for trucks and special motor vehicles |
|--------------|--|---|---|
| | | <i>(RMB/vehicle/km)</i> | <i>(RMB/vehicle/km)</i> |
| Class 1 | 2 axles (with a length less than 6m and maximum authorized total weight less than 4,500kg) | 0.45 | 0.45 |
| Class 2 | 2 axles (with a length no less than 6m and maximum authorized total weight no less than 4,500kg) | 0.841 | 0.9 |
| Class 3 | 3 axles | 1.321 | 1.35 |
| Class 4 | 4 axles | 1.639 | 1.7 |
| Class 5 | 5 axles | 1.675 | 1.85 |
| Class 6 | 6 axles or above (inclusive) | <u>1.747</u> | <u>2.2</u> |

Notes:

- (1) Total number of axles includes floating axles.
- (2) For trucks with 6 axles above running on Huihang Expressway, toll rates of trucks with each additional axle shall be calculated at 1.1 times of the standard rate for Class 6 trucks; whereas toll rates of trucks with 10 axles or above shall be calculated at the standard rate for trucks with 10 axles.

iii) Other Toll Policies

Zhejiang Province has implemented Electronic Toll Collection (“ETC”) since 16 April 2010, which helps to improve the traffic flow capacity and alleviate the congestion of toll stations effectively. For car owners who adopt ETC, Zhejiang Province offered a 3% discount of expressway toll fees in the first half of 2019 and offered a 5% discount of expressway toll fees in the second half of 2019. Zhejiang Province currently offers a 5% discount of expressway toll fees to Classes 1 and 2 vehicles that adopt ETC, and a 15% discount of expressway toll fees to Classes 3 and 4 vehicles that adopt ETC.

In 2012, Zhejiang Provincial Communication Department and Zhejiang Provincial Price Bureau jointly issued Notice on Implementation of Actual Route-based Toll Rates and Other Related Matters for Expressways in Zhejiang Province (Zhe Jiao〔2012〕No. 111) (《關於全省高速公路實施按實際行駛路徑收費等有關事宜的通知》(浙交〔2012〕111號)) and decided to adopt two adjustments for expressways in Zhejiang Province, namely actual driving-based toll rates and improved toll fee calculation method which became effective from 15 May 2012. The first adjustment is to calculate and charge toll fees based on the actual route of vehicles on expressways in Zhejiang Province. The composite pass cards used on the expressways in Zhejiang Province can record path nodes that cars actually drive in the road network, which can be used to calculate tolls payable based on applicable toll fee rates. The second adjustment is to specify components of toll fees of passenger cars. Toll fees of a passenger car = entrance fee + toll rate per km* actual mileage + accumulated toll fees for tunnels (bridges), and the rates for entrance fees, toll rates per km and accumulated toll fees for tunnels (bridges) remain unchanged. For goods vehicles, they are charged by weight and the toll rate shall be calculated according to Reply of General Office of People's Government of Zhejiang Province on Pilot Program of Weight-based Toll Rates for Goods Vehicles on Expressways in Zhejiang Province (Zhe Zheng Ban Han〔2018〕No. 29) (《浙江省人民政府辦公廳關於修訂〈全省高速公路貨車計重收費費率試行方案〉的覆函》(浙政辦函〔2018〕29號)). The transition from the shortest route-based toll rates to the actual route-based toll rates represents an improvement of toll policy. Toll fees will generally be increased to some extent after implementing the actual route-based toll rates, which has had a positive effect on the Group's operation revenue.

Since 1 January 2019, a 15% trial discount on the toll rate of expressways in Zhejiang Province has been introduced for legal cargo trucks using non-cash payment cards and truck ETC cards in Zhejiang Province. A press conference on the amendment to the "Regulation on Administration of Toll Roads" (《收費公路管理條例》) was held by the Ministry of Transport on 24 January 2019. From 12 February 2020 to 5 August 2020, Zhejiang Province expanded the beneficiaries of a 15% discount on tolls on a trial basis when travelling on state-owned expressways in Zhejiang Province from all qualified trucks in Zhejiang Province with ETC registration to all qualified trucks in China that have ETC registration. It also increased the discount from 5% to 15% for Class-3 and Class-4 passenger vehicles with ETC registrations travelling on all toll roads in Zhejiang Province. In addition, from 12 February 2020, expressways in Zhejiang Province are offering a 35% discount on tolls for all container trucks in compliance with international standards, and stopped charging entrance fees. Although the administrative regulation has not been officially promulgated at present, the Company expects the possibility of further significant changes in the policies of the expressway industry in the near term is minimal, the Company cannot be assured that they will not have any adverse effects on the toll revenue of the expressways under the Group.

Securities Business

The Group, through its subsidiary Zheshang Securities, offers a range of financial services which have been approved by CSRC, including securities brokerage, financial and securities investment consultation, securities underwriting and sponsorship services, proprietary securities trading, margin trading, securities investment fund sales agency, intermediary services for futures companies and financial product sales agency.

Zheshang Securities was approved by CSRC as a general securities company in 2002 and a sponsor in 2004. In April 2012, Zheshang Securities was granted the qualification to conduct margin trading under a pilot program. Zheshang Securities has membership of the Securities Association of China (member code: 133106), the Shanghai Stock Exchange (member code: 0072) and the Shenzhen Stock Exchange (member code: 000648).

Zheshang securities has significantly improved its market position and made steady progress in transformational development. On the securities business side, Zheshang Securities took advantage of market volatility, strengthened its compliance and risk management practices, and effectively mitigated risks. In terms of transformation, Zheshang Securities capitalized on its financial strength and utilized its resources to explore and nurture new business opportunities.

The IPO application of Zheshang Securities was submitted to the Shanghai Stock Exchange in May 2013 and has obtained the CSRC's approval in May 2017. Zheshang Securities was listed on the Shanghai Stock Exchange on 26 June 2017.

The following table sets forth the qualifications obtained by Zheshang Securities to conduct securities businesses:

| SN | Qualification for business | Date of obtaining |
|----|---|-------------------|
| 1 | General securities company | 23 April 2002 |
| 2 | Qualification for underwriters | 1 August 2002 |
| 3 | Qualification for delegated investment management business | 12 October 2002 |
| 4 | Qualification for managing foreign share business | 19 November 2002 |
| 5 | Qualifications for the Shanghai Stock Exchange B-share brokerage business | 9 December 2002 |
| 6 | Qualifications for B-share seats application | 12 December 2002 |
| 7 | Qualification for online securities commission business | 8 February 2003 |
| 8 | Qualification for bond transactions organized by the Interbank Funding Center | 24 February 2003 |
| 9 | Qualification for interbank lending business | 1 April 2003 |
| 10 | Qualification for lead underwriter | 17 April 2003 |
| 11 | Qualification for business of open-end securities investment fund sales agency | 25 June 2004 |
| 12 | Qualification for business of intermediary services for futures companies | 1 April 2008 |
| 13 | Qualification as qualified investor for the Shanghai Stock Exchange's block trading system | 6 June 2008 |
| 14 | Qualification for directed asset management business | 13 January 2009 |
| 15 | Qualification for setting up schemes of collective asset management | 13 January 2009 |
| 16 | Qualifications for Direct Investment Business | 26 August 2011 |
| 17 | Qualification for margin financing and securities lending | 27 April 2012 |
| 18 | Qualification for SME private placement bond underwriting business | 11 June 2012 |
| 19 | Qualification for agreed repurchase securities trading business | 18 September 2012 |
| 20 | Qualification for refinancing business | 18 January 2013 |
| 21 | Qualifications for foreign currency securities brokerage business | 12 March 2013 |
| 22 | Qualification for securities products sales agency business | 18 March 2013 |
| 23 | Qualification for national SME share transfer system recommendation and brokerage business | 21 March 2013 |
| 24 | Qualification for stock pledge repurchase business | 1 July 2013 |
| 25 | Qualification for equity swap transaction business | 21 April 2014 |
| 26 | Qualification for OTC option business | 8 July 2014 |
| 27 | Qualification for market-making business of National Equities Exchange and Quotations (NEEQ) | 6 August 2014 |
| 28 | Qualification for OTC market pilot program | 14 October 2014 |
| 29 | Qualification for Internet securities business pilot program | 20 November 2014 |
| 30 | Qualification for business of general private equity fund custodian | 13 January 2015 |
| 31 | Qualifications for Stock Options Brokerage | 20 January 2015 |
| 32 | Qualifications for operating securities and futures business | 9 August 2016 |
| 33 | Qualifications for trial market-making in the interbank bond market | 12 December 2017 |
| 34 | License for operating securities and futures business (updates: place of registration, registration capital, etc.) | 28 August 2017 |
| 35 | Qualification for consulting services related to military secrets | 20 July 2018 |
| 36 | Qualification for secondary dealer in OTC options business | 31 July 2018 |
| 37 | Qualification to carry out credit derivative business | 28 February 2019 |
| 38 | Qualification for the credit protection core dealer of the Shanghai Stock Exchange | 8 April 2019 |
| 39 | Qualification for core dealer of interbank credit risk mitigation tool/agency for credit risk mitigation certificate/agency for credit-linked notes | July 2019 |
| 40 | Qualification for bond quotation business of the National Interbank Funding Center | 1 July 2019 |
| 41 | Qualification for private equity services | 3 July 2019 |
| 42 | Qualification for Shenzhen stock options brokerage business | 6 December 2019 |

Securities Brokerage

Securities brokerage services mainly refers to securities agency trading, namely the securities companies conduct sales of securities as entrusted by the clients as well as agency for debt service, dividends distribution, securities custodian, assurance, registration and account opening services. In China, securities companies shall set up securities sales department upon approval by CSRC or have qualification for online securities agency business before they are permitted to engage in brokerage business.

The retail business headquarter of Zheshang Securities is in charge of product marketing for retail customers; the institution business headquarter of Zheshang Securities is responsible for the development and maintenance of high net-worth customers such as institutions and the outlet operation and management headquarter provides customer services and carries out brokerage management for sales branches, outlet development, supervision and assessment, and other basic customer services.

As at 30 June 2020, the Company had 9 subsidiaries, 22 branches and 100 securities sales branches. The following table sets forth the trading information of Zheshang Securities for the years ended 31 December 2018 and 2019 and six months ended 30 June 2020:

| Type of securities | For the six months ended 30 June 2020 | | For the year ended 31 December 2019 | | For the year ended 31 December 2018 | |
|--------------------|---------------------------------------|--------------|-------------------------------------|--------------|-------------------------------------|--------------|
| | Trading Volume | Market Share | Trading volume | Market share | Trading volume | Market share |
| | (RMB100 million) | | (RMB100 million) | | (RMB100 million) | |
| A share | 18,992.86 | 1.07% | 27,978.83 | 1.11% | 19,330.36 | 1.08% |
| B share | 2.56 | 0.47% | 4.92 | 0.42% | 5.31 | 0.42% |
| Fund | 802.5 | 0.43% | 423.51 | 0.15% | 171.42 | 0.06% |
| Treasury bonds | 2.59 | 0.11% | 3.36 | 0.10% | 0.96 | 0.08% |
| Enterprise bonds | 8.54 | 0.02% | 16.39 | 0.03% | 10.20 | 0.06% |
| Other bonds | 13,789.52 | 0.55% | 27,250.43 | 0.58% | 21,033 | 0.46% |

Taking advantage of the advanced regional economies in the places where Zheshang Securities is located, Zheshang Securities has set up sales outlets in all municipalities in Zhejiang Province and other developed cities in China, which becomes a remarkable regional advantage in brokerage services within Zhejiang Province, with reach to other major regions in China.

Commission fees are a major source of income of Zheshang Securities' brokerage business. Apart from that, income of Zheshang Securities is also comprised of net income from product sales, rent of trading seats and interests.

Net income from securities agency trade represents a significant part of Zheshang Securities' brokerage income. Such business is closely related to the active trading of securities market, Zheshang Securities' trading market and the commission rate. The net income from securities brokerage fee has positive correlation with the securities market and the overall trading volume of the market.

| Item | For the | For the | For the |
|---|------------------------------------|-----------------------------------|-----------------------------------|
| | six months ended | year ended | year ended |
| | 30 June | 31 December | 31 December |
| | 2020 | 2019 | 2018 |
| The net average market commission rate | 0.292 ⁰ / ₀₀ | 0.30 ⁰ / ₀₀ | 0.32 ⁰ / ₀₀ |
| Zheshang Securities' net average commission rate | 0.26% | 0.28 ⁰ / ₀₀ | 0.31 ⁰ / ₀₀ |
| Trading volume of market stocks, funds and warranties (100 million) | 1,547,647.00 | 2,259,654.94 | 1,660,047.71 |
| Trading volume of stocks, funds and warranties conducted by Zheshang Securities (100 million) | 19,798 | 28,407.26 | 19,507.09 |

Note:

Market net average commission rate = total net income from all securities companies' securities brokerage of the year/trading volume of market stocks, funds and warranties

Zheshang Securities' net average commission rate = Zheshang Securities' net income from securities brokerage/trading volume of market stocks, funds and warranties conducted by Zheshang Securities

Source:

Total net income from all securities companies' securities agency trade of the year from Securities Association of China, and the trading volume of market stocks, funds and warranties from the statistical data by the Shanghai Stock Exchange and the Shenzhen Stock Exchange

Zheshang Securities' net income from rent of trading seats comes from the trading-volume based commission fee paid by the fund companies when they need to utilise Zheshang Securities' trading seats. With the improvement of Zheshang Securities' research strength and service ability, the net income from rent of trading seats of Zheshang Securities is on rise year by year.

The net income from the interests of brokerage business comes from the deposits of customers and the interest spread between the inter-bank offered rate that banks pay to Zheshang Securities and the demand deposit interest rate that Zheshang Securities pays to customers. As the fluctuation of the balance of customers' deposits is quite narrow, the net income from the interests of brokerage business is relatively stable.

Futures Business

Zheshang Securities conducts the futures business through its wholly-owned subsidiary Zheshang Futures, and Zheshang Futures is currently a general clearing member of China Financial Futures and a member of Shanghai Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange. In April 2013, Zheshang Futures funded RMB100 million to invest and set up a wholly-owned subsidiary Zhejiang Zheqi, who is principally engaged in warehouse receipt service, cooperative hedge and third-party risk management businesses. Warehouse receipt service is currently the principal business conducted by Zhejiang Zheqi, which includes warehouse receipt buyout transaction between Zhejiang Zheqi and its customers using its own funds, and the subsequent contract sales of purchased warehouse receipts to customers or trading in the spot market. For cooperative hedge, Zhejiang Zheqi uses its own funds to assist its customers to conduct hedging, in which Zhejiang Zheqi primarily assists its customers to purchase raw materials to lock in costs, and subsequently sell the materials to customers in batches in the form of contract sales. For third-party risk management business, Zhejiang Zheqi utilises its professional knowledge in the futures industry and its risk management capability to provide futures-related risk management solutions to investors. In the course of conducting warehouse receipt and cooperative hedge businesses, Zhejiang Zheqi can hedge the full amount in the futures market without the need for contract sales, which ensures that risks are controllable.

Margin Financing and Securities Lending

Margin financing and securities lending refers to the operation in which securities firms lend funds or securities to its customers, and receive collateral. Zheshang Securities' securities margin financing and securities lending primarily includes margin trading, agreed repurchase securities business and stock-pledged repo business.

Margin trading refers to a series of actions in which an investor borrows funds from a securities firm to purchase listed securities, or borrows listed securities to dispose of such listed securities thereafter, in which the listed securities are used as collateral. Margin trading mainly includes the margin trading by securities firms to investors, and the margin trading by financial institutions to securities firms. The margin financing and securities lending of Zheshang Securities commenced in June 2012, and its margin trading division is responsible for the execution, review and approval, formulation of business plan, customer profile management, credit reference and credit approval management, daily risk monitor, marked-to-market and closing out of positions, management of funds and securities, training, investor education and other related activities for margin trading.

Since second half of 2012, Zheshang Securities accelerated the development of innovative businesses and obtained qualification to develop agreed repurchase securities business and stock-pledged repo business. Agreed repurchase securities business refers to a transaction in which an investor sells target securities at a contracted price to a qualified securities firm, and such investor is contracted to repurchase such securities at a different price on a date in the future. Stock-pledged repo business refers to a transaction in which an investor pledges stocks or other securities to a qualified securities firm and borrows funds from such securities firm, and then repays such funds to have the collaterals released upon repayment.

Proprietary Trading

Proprietary securities trading refers to the investment action in which, a securities firm buys and sells securities using its own funds, and assumes the relevant risks and rewards. The investment instruments of proprietary trading include primarily equity securities, debt securities, funds, warrants, among others.

The securities investment division is primarily responsible for the Zheshang Securities' proprietary securities trading, and the investment scope includes subscription for new shares and share placement in the primary market, and secondary market investment varieties, funds and debt securities, subscription and redemption of open-ended funds, together with investment in and trading of other legitimate financial products.

Zheshang Securities also engages in other businesses including, among others, investment banking, asset management and advisory services.

For the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, Zheshang Securities recorded total revenue of RMB2,921.3 million, RMB3,300.8 million and RMB2,091.9 million, respectively. Of which, commission and fee income was RMB1,462.8 million, RMB1,727.9 million and RMB1,295.1 million, respectively, and interest income from the securities business was RMB1,458.5 million, RMB1,572.8 million and RMB796.8 million, respectively. Moreover, for the year ended 31 December 2018 and 2019 and the six months ended 30 June 2020, securities investment gains of Zheshang Securities was RMB512.4 million, RMB1,343.5 million and RMB1,034.7 million, respectively.

Other Operations

The Group also engages in other businesses including hotel and construction operations. Grand New Century Hotel, owned by Zhejiang Yuhang Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of approximately RMB106.1 million, RMB98.3 million and RMB24.6 million for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. Deqing County De'an Highway Construction Co., Ltd. (an 80.1% owned subsidiary of the Company) recorded revenue of RMB238.6 million, RMB423.9 million and RMB40.9 million for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020, respectively. Zhejiang Grand Hotel, owned by Zhejiang Hotel (a 100% owned subsidiary of the Company), recorded revenue of RMB71.2 million and RMB16.93 million for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively.

Government Regulations

The Group's operations are subject to various laws and regulations in the PRC. The Group's expressways are subject to routine inspections by government officials with regard to various administrative safety and environmental issues. The Company believes that the Group is in compliance in all material respects with government regulations currently in effect in the PRC. The Company is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its expressways or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its expressways or operations.

Expressway Regulations

The construction, survey, design and operation of expressways in the PRC are subject to the supervision and administration of the relevant government authorities, primarily with respect to qualifications of the entities undertaking the construction, survey and design work, project tendering, quality, safety, checking for the completion of engineering works and environmental protection.

Expressway Regulatory Authorities

The NDRC is responsible for the overall investment plan of the major expressways as defined in the relevant regulations. The investment plan of other expressway projects must be reviewed and approved by the provincial branches of the NDRC.

The Ministry of Transport is responsible for the overall construction plan and administration on the construction of the major expressway projects as determined by the Ministry of Transport. At a local level, the relevant departments of communications are in charge of highway construction projects within their administrative areas. Responsibility for setting and regulating expressway toll rates, toll terms and toll stations rests with the provincial governments and/or other relevant provincial departments responsible for price, finance and communications.

Expressway and Toll Road Regulations

The PRC Expressway Law was adopted on 3 July 1997, and was subsequently amended in 1999, 2004, 2009, 2016 and 2017. Planning, construction, maintenance, management, use and administration of roads within the borders of the PRC, including expressway bridges, expressway tunnels and expressway crossings, shall comply with the requirements of the PRC Expressway Law.

In addition, the construction, management and operation of toll roads (including bridges and tunnels), the location of toll booths and the transfer of interests and benefits of toll roads are subject to the Regulation on Toll Road Administration adopted in 2004. A draft amendment to the regulation had sought for public comments by January 2019. As at the date of this Offering Circular, no amendment to the regulation has been put into effect.

Securities Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The PRC Securities Law took effect on 1 July 1999, was last amended on 28 December 2019 and implemented with effect from 1 March 2020. This is the first national securities law in the PRC, and it is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that a PRC company shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Article 225 of the Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

NDRC Rules Regarding Overseas Financing

According to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (NDRC Waizi〔2015〕No. 2044)《(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發外資〔2015〕2044號)) (the “NDRC Circular”), which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure an enterprise foreign debt pre-issuance registration certificate (the “NDRC Pre-Issuance Registration Certificate”) from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The Company filed certain prescribed documents with the NDRC through the NDRC Zhejiang branch for the offering of the Bonds in an amount not to exceed US\$400 million. The NDRC issued the NDRC Pre-Issuance Registration Certificate to the NDRC Zhejiang branch on 17 December 2019 and the extension document of the Enterprise Foreign Debt Filing Registration Certificate dated 3 November 2020.

According to the NDRC Circular, such an enterprise is also required to report certain details of the Bonds to the NDRC within ten working days after the closing date of the offering (the “NDRC Post-Issuance Reporting”). The Company intends to complete the NDRC Post-Issuance Reporting as soon as practical and in any event within ten working days after the Issue Date. The NDRC Post-Issuance Reporting would be a matter of procedure and timing as long as the Company has obtained the NDRC Pre-Issuance Registration Certificate and all relevant documents have been duly submitted to the NDRC.

PBOC Circular Regarding Cross-border Financing

On 12 January 2017, the PBOC issued the Circular on Implementing Overall Macro-prudential Management System for Nationwide Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the “2017 PBOC Circular”). Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the fund, and report the relevant capital settlement information. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities. As at the date of this Offering Circular, there is uncertainty as to when and how the 2017 PBOC Circular will be implemented by the local branch of SAFE regarding the issuance of the Bonds.

Employees

The Group is committed to the corporate values of integrity, harmony, open-mindedness and ambition, in order to provide a good and positive work environment where employees may fully utilise their talents. The Group attracts and retains talents who fit well into the strategic requirements of the Group on the recruitment principle of “ability and integrity, virtue first and drive for results” and by means of campus recruiting, social recruiting, references and recruitment through agencies. Remuneration is determined based on an employee’s function, ability and performance. The whole remuneration package offered by the Group to its employees includes basic salary, incentive pay, paid leave, supplementary health insurance and annuity. Employees are given the opportunity to pursue their most suitable career path through competition, discretionary choice, references and rotations.

As at 30 June 2020, there were 8,132 employees within the Group, amongst whom 1,710 worked in the managerial, administrative and technical positions related with expressway and securities business, 3,794 worked in fields such as toll collection, maintenance, service areas, while 2,628 worked in securities and futures business outlets.

Environmental Matters

The Group is principally engaged in investing, developing and operating high-end expressways. Its businesses, though different from those enterprises involved in the environment business directly, do to some extent, directly or indirectly, have an impact on the environment. The Group follows all environment-related laws and regulations strictly, and conducts environment impact assessments as required for all new projects. The Group promotes the use of low-carbon, environmentally-friendly and effective geothermal renewable technology on asphalt pavements to reduce the use of bituminous mixtures via recycling. The recovery and recycling of waste asphalt has reached almost 100%. The environment management system of the Group has been certified by a third-party institution.

Legal Proceedings

The Group is involved in legal or other disputes from time to time in the ordinary course of its business. Each of these proceedings is, in the Group's view, immaterial in terms of their impact on the business, financial condition or results of operations of the Group. The Group is not aware of any, and its PRC counsel is of the opinion that, as at the date of the Offering Circular, there is no legal proceeding, pending or threatened against the Group or its Directors, which could be expected to have a material adverse effect on its business, financial conditions and results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The following table sets forth information regarding the Company's directors as at the date of this Offering Circular:

| Name | Position |
|--------------------|--|
| YU Zhihong | Chairman |
| CHEN Ninghui | Executive Director |
| LUO Jianhu | Executive Director and General Manager |
| DAI Benmeng | Non-executive Director |
| YUAN Yingjie | Non-executive Director |
| FAN Ye | Non-executive Director |
| PEI Ker-Wei | Independent Non-executive Director |
| LEE Wai Tsang Rosa | Independent Non-executive Director |
| CHEN Bin | Independent Non-executive Director |

The biographies of the Directors are set out below.

Executive Directors

Mr. YU Zhihong, born in 1964, is a graduate from the Department of Electro-mechanic Engineering, Zhejiang University, and holds a Master's Degree in management from the Management Institute of Zhejiang University. He has been appointed as the Chairman of the Company since June 2012.

Starting from 1985, Mr. Yu worked at Xiushui Township in Xiucheng District of Jiaxing City as Deputy Manager of Township Industrial Company and Deputy Head of Township, from 1987 successively served as Secretary to Xiucheng District Office, Secretary of the Xiucheng District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Xiucheng District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, and he became the Deputy Party Secretary and then Mayor of Shaoxing City since 2013.

Mr. Yu assumed the position of Chairman and Party Secretary of Zhejiang Communications Investment Group Co., Ltd. since October 2016, and became Member of Provincial Party Committee since June 2017.

Mr. CHEN Ninghui, born in 1963, is a senior economist. Mr. Chen obtained a Master's Degree in Business Administration from Arizona State University of the United States and a postgraduate from the Party School of the Communist Party of the PRC.

Since 1981, Mr. Chen served at Zhejiang Provincial Urban and Rural Construction Material Equipment Company Limited (浙江省城鄉建設材料設備有限公司) (formerly known as the Material Equipment Division of the Department of Development of Zhejiang Province (浙江省建設廳材料設備處) as General Manager, Chairman and Party Secretary; Zhejiang Communications Investment Industrial Development Company Limited (浙江省交通投資集團實業發展有限公司) as Chairman and Party Secretary; Zhejiang Communications Investment Group Company Limited (浙江省交通投資集團有限公司) as Assistant General Manager and Zhejiang Communications Investment Property Group Limited (浙江省交投地產集團有限公司) as Chairman and Party Secretary. Mr. Chen currently serves as Party Secretary of the Company.

Ms. LUO Jianhu, born in 1971, graduated from Zhejiang University with a Bachelor's Degree in Law and graduated from the National Accounting Institute in 2016 with an EMBA degree. She is a lawyer and Senior Economist. Ms. Luo has been appointed as an Executive Director and the General Manager of the Company since June 2012.

Since she started her career in August 1994, Ms. Luo had held such positions as the Board Secretary of Zhejiang Transportation Engineering Construction Group Co., Ltd., the Deputy Director, Director of the Legal Affairs Department, the Deputy Director, Director of the Secretarial Office to the Board, Board Secretary and the Manager of the Investment and Development Department of Zhejiang Communications Investment Group Co., Ltd.

Non-Executive Directors

Mr. DAI Benmeng, born in 1965, graduated from the Party School of the Zhejiang Committee of the Communist Party of China (浙江省委黨校) with a Bachelor's Degree of Economics and Management and is a Senior Economist.

Mr. Dai began working in February 1987 and has been a Director and the Deputy General Manager of Wenzhou Shipping Co., Ltd. (溫州海運有限公司), a Director and the General Manager of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. (浙江溫州甬台溫高速公路有限公司), a Director and the General Manager of Zhejiang Jinji Property Co., Ltd. (浙江金基置業有限公司), the person in charge of Zhejiang Province North Zhejiang Expressway Management Co., Ltd. (浙江浙北高速公路管理有限公司), the Chairman of Zhejiang ShenSuZheWan Expressway Co., Ltd. (浙江申蘇浙皖高速公路有限公司), and the General Manager of the Shanghai-Jiaxing-Huzhou-Hangzhou Branch of the Communications Group (交通集團申嘉湖杭分公司) the Manager of Human Resources Department and the Minister of Organization Department of Zhejiang Transportation Group.

Mr. Dai is currently the Party Committee Member and Director of the Secretariat Office of the Communications Group.

Mr. YUAN Yingjie, born in 1976, is a senior engineer. He obtained a Bachelor's Degree of Engineering in Highways and Urban Roads from Xi'an University of Highway Traffics, and both Master and Doctorate Degrees of Engineering in Roads and Railways Engineering from Chang'an University.

Since 2004, Mr. Yuan has worked in Zhejiang Highway Management Bureau and Zhejiang Department of Transportation. Since 2014, he was deputy director of Construction Management Office of Zhejiang Department of Transportation. From 2017, he was deputy director of chief engineer office of Zhejiang Communications Investment Group. From 2018, he was deputy general manager of expressway construction department and deputy general manager of expressway management department of Zhejiang Communications Investment Group. He is currently general manager of expressway management department of Zhejiang Communications Investment Group.

Mr. FAN Ye, born in 1982, is an economist. Mr. Fan graduated from Zhejiang University with a Doctorate in Political Economy.

Since 2010, Mr. Fan served at the Investment Development Department of Zhejiang Economy Construction Investment Company Limited (浙江省經濟建設投資有限公司). Since 2013, Mr. Fan served at the General Manager's Office and the New Industry Department of CSR Hangzhou Rail Transit Company Limited (杭州南車城市軌道交通車輛有限公司), and the Rail Transport Department of Zhejiang Economy Construction Investment Company Limited (浙江省經濟建設投資有限公司). Since 2014, Mr. Fan served at the General Manager's Office of Zhejiang Economy Construction Investment Company Limited (浙江省經濟建設投資有限公司), and since 2018 he was Deputy General Manager of Zhejiang Communications Investment Property Group Limited (浙江省交投地產集團有限公司). Mr. Fan is currently the General Manager of the Industry (I) Department of Zhejiang Communications Investment Group.

Independent Non-Executive Directors

Mr. PEI Ker-Wei, born in 1957, is a full Professor of Accountancy at the School of Accountancy at the W. P. Carey School of Business Arizona State University. Mr. Pei received his Ph.D. Degree in Accounting from University of North Texas in 1986.

Mr. Pei served as the Chairman of the Globalization Committee of the American Accounting Association in 1997 and as the President of the Chinese Accounting Professors Association – North America in 1993 to 1994.

Mr. Pei currently also serves as an External Director of Baosteel Group and China Merchant Group, and Independent Director of Want China Holdings (HK Stock Code: 00151), Zhong An Real Estate (HK Stock Code: 00672) and MMG Limited (HK Stock Code: 01208).

Ms. LEE Wai Tsang, Rosa, born in 1977, has over 15 years of experience in the financial sector. Ms. Lee holds a Master of Science in Finance from Boston College and MBA from University of Chicago.

Ms. Lee is a licensed person for asset management under the Securities and Futures Ordinance. Ms. Lee is a Director of Grand Investment (Bullion) Limited and Tianjin Yishang Friendship Holdings Company Ltd.

Ms. Lee was an Executive Director of Grand Investment International Ltd (Stock code: 1160) from 2005 to 2018 and was appointed as its Chairman from 2013 to 2017. Ms. Lee also served as Director for Grand Finance Group Company Ltd from 2005 to 2019.

Mr. CHEN Bin, born in 1967, graduated from University of South China in Computer Science. Mr. Chen also holds a second Bachelor's Degree from Chongqing University in Management Engineering.

Mr. Chen worked at Tianshi Network Company of TCL Group as Deputy General Manager from 1998 to 2004, at Webex Group as General Manager of China Investment from 2005 to 2006, and at Cybernaut China Investment Fund as Senior Partner from 2007 to 2008. Mr. Chen became Chief Executive and Funding Partner of Zhejiang Cybernaut Investment Management Co., Ltd. since 2008.

Mr. Chen also serves as Director at Sundry Land Investment Co., Ltd. (a company listed on Shanghai Stock Exchange, SH Stock Code: 600077) and Shenzhen Fountain Corporation (a company listed on Shenzhen Stock Exchange, SZ Stock Code: 000005).

Supervisor

The following table sets forth information regarding the Company's supervisors as at the date of this Offering Circular:

| Name | Position |
|------------------------|---------------------------------------|
| ZHENG Ruchun | Shareholder Representative Supervisor |
| HE Meiyun | Independent Supervisor |
| WU Qingwang | Independent Supervisor |
| ZHAN Huagang | Employee Representative Supervisor |
| WANG Yubing | Employee Representative Supervisor |

The biographies of the supervisors are set out below.

Shareholder Representative Supervisor

Mr. ZHENG Ruchun, born in 1962, is a senior accountant. He graduated from Jiangxi College of Finance and Economics with a Bachelor's degree in Accounting in 1985, and obtained an EMBA degree from Arizona State University in 2012.

From 1985 to 1988, Mr. Zheng worked as a teacher in the accounting department of Jiangxi College of Finance and Economics. From 1988 to 2002, he successively worked as deputy section chief of the finance department and section chief of the collection department of Zhejiang Highway Management Bureau. From 1998 to 2005, he successively worked as director of the comprehensive accounting department and assistant to the general commander in the highway construction headquarters of Jinliwen Expressway. From 2005 to 2019, he successively worked as deputy general manager, general manager, chairman of the board and secretary of the party committee of Zhejiang Jinliwen Expressway Co., Ltd. He is currently deputy chief accountant and general manager of the financial management department of Zhejiang Communications Investment Group Co., Ltd.

Independent Supervisors

Ms. HE Meiyun, born in 1964, is a Senior Economist. She graduated from the Zhejiang University in 1986 and later received an Executive Master of Business Administration (EMBA) in Cheung Kong Graduate School of Business (長江商學院).

Ms. He had served as the Secretary of Youth League Committee at the Hangzhou Business School (杭州商業學校) and as a Secretary to the Board, Deputy General Manager, General Manager and Vice Chairman at Baida Group Co., Ltd. (百大集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600865). Ms. He also serves as a General Manager of Ping An Securities Company Limited, Zhejiang Branch (平安證券浙江分公司), Executive Deputy Director of the Board of Directors of Zhejiang Provincial Listed Company Association (浙江省上市公司協會), Deputy Secretary General of Hangzhou Joint Stock Promotion Association (杭州股份制促進會), Independent Director of Lanzhou Minbai Co., Ltd. (蘭州民百股份有限公司), Independent Director of Xilinmen Co., Ltd. (喜臨門股份有限公司) Ms. He currently serves as Vice Chairman of Zhejiang Shiqiang Group Co., Ltd. (浙江施強集團有限公司), Member of the Equity Investment and M&A Committee of Zhejiang Merchants Association (浙商總會股權投資與併購委員會委員), Supervisor of Zhejiang M&A Federation (浙江併購聯合會監事), Independent Director of Guangyu Co., Ltd. (廣宇股份有限公司), Independent Director of Fuchun Environmental Protection Co., Ltd. (富春環保股份有限公司), Independent Director of Gujia Home Furnishing Co., Ltd. (顧家家居股份有限公司).

Mr. WU Qingwang, born in 1965, is a PRC Lawyer. Mr. Wu graduated from Hangzhou University (杭州大學) with a Bachelor Degree in Law in 1989 and later received a Master's Degree and a Doctoral Degree in Civil and Commercial Law in Southwest University of Political Science and Law (西南政法大學) in 1995 and 2004, respectively.

Mr. Wu had worked in Chun'an Justice Bureau (淳安司法局) since 1989 and in Zhejiang Securities Co., Ltd. (浙江證券有限公司) from 1995 to 1996. Since May 1996, Mr. Wu has been working in Zhejiang Xinyun Law Firm (浙江星韻律師事務所) and is currently a Partner, specializing in civil and commercial litigation, arbitration and project negotiation. Mr. Wu is on the Panel of Arbitrators in China International Economic and Trade Arbitration Commission. Mr. Wu serves as an Independent Director of the following companies: Yiwu Huading Nylon Co., Ltd. (義烏華鼎錦綸股份有限公司) (stock code: 601113), and Top Choice Medical Investment Co., Inc. (通策醫療投資股份有限公司) (stock code: 600763), both companies listed on the Shanghai Stock Exchange. From August 2011 to April 2016, Mr. Wu served as an Independent Director of OB Telecom Electronics Co., Ltd (杭州中威電子股份有限公司) (stock code: 300270), a company listed on the Shenzhen Stock Exchange, and serves as an Independent Director of Zhejiang Yankon Group Co., Ltd.(浙江陽光電器股份有限公司) (stock code: 600261), a company listed on the Shanghai Stock Exchange.

Employee Representative Supervisors

Mr. ZHAN Huagang, born in 1961, graduated from Zhejiang University with a Bachelor's Degree of Engineering in Internal Combustion Engine from the Department of Thermophysical Engineering. Mr. Zhan is a professor-level Senior Engineer.

Since Mr. Zhan started his career in 1982, he had worked at Zhejiang Province Vehicular Transport Company (浙江省汽車運輸公司), Zhejiang Office of Motor Vehicles (浙江省車輛監理所), Zhejiang Highway Management Bureau (浙江省公路管理局) and Zhejiang Road and Bridge Engineering Office (浙江省路橋工程處). He also worked at the Operation Division and Maintenance Division of the Zhejiang Provincial Expressway Executive Commission as Senior Engineer.

Mr. Zhan has been working at Zhejiang Expressway Co., Ltd. as Deputy Manager and Manager of the Operations Management Department, Director of the monitoring center, Manager of the Investment Development Division, Manager of the Equipment Management Department, Manager of the Engineering Management Department and Head of the Maintenance Management Office, Director of the testing center. He is concurrently the Deputy General Manager of Zhejiang Expressway Investment Development Co., Ltd. and Chairman and General Manager of Zhejiang Expressway Advertising Co., Ltd.

Mr. Zhan is currently the Chairman of the Union and the Party Committee Member of the Company.

Mr. WANG Yubing, born in 1969, graduated from Shanghai University of Finance and Economics with a Bachelor's Degree. Mr. Wang is a senior accountant.

Mr. Wang started his career in 1991 and worked at the audit office of East China Investigation and Design Institute (華東勘測設計研究院). He had served as Head of Finance Department of Hangzhou KFC Ltd (杭州肯德基有限公司), Principal Accountant of Finance Department of Zhejiang Liantong Leasing Co., Ltd (浙江聯通租賃有限公司). Then he had served as Supervisor in the Financial Planning Department, Supervisor in the Internal Audit Department, Assistant Manager and Deputy Manager of the Legal Audit Department in the Company.

He serves as Manager of Discipline inspection and supervision department.

Other Members of Senior Management

The following table sets forth information regarding the Company's other members of senior management as at the date of this Offering Circular:

| Name | Position |
|---------------|--|
| ZHU Yimin | Deputy General Manager |
| RUAN Liya | Chief Financial Officer |
| Tony H. ZHENG | Deputy General Manager and Company Secretary |
| ZHANG Xiuhua | Deputy General Manager |
| WANG Bingjiog | Deputy General Manager |

The biographies of other members of senior management are set out below.

Mr. ZHU Yimin, born in 1961, graduated from Chang'an University with professional programme in Roads and Transportation Engineering. Mr. Zhu is an Engineer.

Mr. Zhu joined the People's Liberation Army Garrison 83026 from December 1978 to January 1982. He had worked as Director in the Transportation Administration Department of Huzhou City, Assistant Manager of Water Traffic Control and Administration Department, Deputy General Manager of Transportation Investment and Development Corporation of Huzhou City, Deputy General Manager of Zhejiang Shenjiahuhang Expressway Co., Ltd., Deputy General Manager of Zhejiang Zhebei Expressway Co., Ltd., Deputy General Manager of Zhejiang ShenSuZheWan Expressway Co. Ltd., Deputy General Manager of Zhejiang Zhexi Expressway Co. Ltd., and Deputy General Manager of Zhejiang Hanghui Expressway Co. Ltd.

Mr. Zhu has been the Deputy General Manager and Party Committee Member of the Company since 1 July 2015. He has also served as Chairman of Hanghui Co., and Huihang Co.

Ms. RUAN Liya, born in 1983, obtained a Master of Science degree from Zhejiang University and is currently an Economist.

Ms. Ruan began her career in 2007 and served as the investment supervisor of Zhejiang Jinji Property Co, Ltd.; the supervisor and the assistant manager of the investment and development department; the assistant general manager and the deputy general manager of the strategic development and legal department of the Communications Group.

Ms. Ruan is currently the Chief Financial Officer and Party Committee Member of the Company.

Mr. Tony H. ZHENG, born in 1969, Mr. Zheng graduated from University of California at Berkeley with a BS Degree in Civil Engineering in 1995.

Mr. Zheng joined the Company in June 1997, and had served as Deputy Director of the Secretarial Office to the Board, Assistant Company Secretary, Director of the Secretarial Office to the Board and Director of Hong Kong Representative Office of the Company.

Mr. Zheng is the Deputy General Manager and Company Secretary of the Company.

Ms. ZHANG Xiuhua, born in 1969, is a Senior Economist, the Deputy General Manager of the Company. Ms. Zhang graduated from Chongqing Jiaotong University majoring in transportation management with a bachelor's degree in science, and obtained a master's degree in business administration from Zhejiang University in 2006.

From July 1991 to February 1997, she worked in the Operation Division of the Zhejiang Provincial Expressway Executive Commission. She joined the Company since March 1997, and had served as Assistant manager, Deputy Manager, Manager of the Operation Department and Assistant to General Manager.

Ms. Zhang is the Deputy General Manager and Party Committee Member of the Company. She also serves as Director of Zhejiang Shaoxing Shengxin Expressway Co., Ltd. and also serves as Chairman and General Manager of Zhejiang Yueqing Bay Expressway Co., Ltd.

Mr. WANG Bingjiong, born in 1967, graduated from the Party School of the Communist Party of China majoring in business administration, an Engineer.

Mr. Wang had worked since 1989. He had served as Deputy General Manager at the Expressway Administration Department of Zhejiang Communications Investment Group Co., Ltd.

Mr. Wang is currently Deputy General Manager and Party Committee Member of the Company.

MARKET PRICE INFORMATION

The H Shares have been listed on the Hong Kong Stock Exchange (Code: 0576) since the Issuer's initial public offering on 15 May 1997. Prior to that time, there was no public market for the Issuer's H Shares. On 5 May 2000, the Company obtained secondary listing of the H Shares on the London Stock Exchange. On 14 February 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by ADRs representing the deposited H Shares of the Company effective. The issuer's domestic shares are not currently listed on any stock exchange.

The table below sets forth, for the periods indicated, the high and low closing prices per H Share, as reported on the Hong Kong Stock Exchange:

| <u>Year</u> | Closing Share Price | |
|---|---------------------|--------|
| | H shares | |
| | High | Low |
| | (HK\$) | (HK\$) |
| 2018 | | |
| First quarter ended 31 March 2018 | 9.81 | 8.01 |
| Second quarter ended 30 June 2018 | 8.47 | 6.80 |
| Third quarter ended 30 September 2018 | 6.98 | 5.61 |
| Fourth quarter ended 31 December 2018 | 6.85 | 6.11 |
| 2019 | | |
| First quarter ended 31 March 2019 | 9.00 | 6.70 |
| Second quarter ended 30 June 2019 | 9.59 | 7.74 |
| Third quarter ended 30 September 2019 | 8.37 | 6.48 |
| Fourth quarter ended 31 December 2019 | 7.51 | 6.29 |
| 2020 | | |
| First quarter ended 31 March 2020 | 7.34 | 4.75 |
| Second quarter ended 30 June 2020 | 6.16 | 5.04 |
| Third quarter ended 30 September 2020 | 6.36 | 5.21 |
| Fourth quarter ended 31 December 2020 | 6.57 | 5.24 |

EXCHANGE RATE

RMB

The PBOC sets and publishes on a daily basis a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the People's Bank of China set the RMB's daily reference rate above RMB7.0 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rates for U.S. dollar in New York City for cable transfers payable in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for and as at the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

| <u>Period</u> | <u>Noon Buying Rate</u> | | | |
|--------------------------------|-------------------------|------------------------------|-------------|-------------------|
| | <u>Low</u> | <u>Average⁽¹⁾</u> | <u>High</u> | <u>Period End</u> |
| 2016 | 6.4480 | 6.6549 | 6.9580 | 6.9430 |
| 2017 | 6.4773 | 6.7569 | 6.9575 | 6.5063 |
| 2018 | 6.2649 | 6.6090 | 6.9737 | 6.8755 |
| 2019 | 6.6822 | 6.9014 | 7.1786 | 6.9618 |
| 2020 | | | | |
| January | 6.8589 | 6.9184 | 6.9749 | 6.9161 |
| February | 6.9650 | 6.9967 | 7.0286 | 6.9906 |
| March | 6.9244 | 7.0205 | 7.1099 | 7.0808 |
| April | 7.0341 | 7.0708 | 7.0989 | 7.0622 |
| May | 7.0622 | 7.1016 | 7.1681 | 7.1348 |
| June | 7.0575 | 7.0816 | 7.1263 | 7.0651 |
| July | 6.9744 | 7.0041 | 7.0703 | 6.9744 |
| August | 6.8647 | 6.9310 | 6.9799 | 6.8647 |
| September | 6.7529 | 6.8106 | 6.8474 | 6.7896 |
| October | 6.6503 | 6.7254 | 6.7898 | 6.6919 |
| November | 6.5556 | 6.6029 | 6.6899 | 6.5760 |
| December (through 18 December) | 6.5295 | 6.5416 | 6.5705 | 6.5395 |

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

EURO

The following tables sets forth, for the periods indicated, certain information concerning the exchange rates between Euro and the U.S. dollar. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

| <u>Period</u> | <u>Euro per U.S. Dollar Noon Buying Rate⁽¹⁾</u> | | | |
|-----------------------------|--|------------------------------|-------------|-------------------|
| | <u>Low</u> | <u>Average⁽¹⁾</u> | <u>High</u> | <u>Period End</u> |
| 2016 | 1.0375 | 1.1029 | 1.1516 | 1.0552 |
| 2017 | 1.0416 | 1.1301 | 1.2041 | 1.2022 |
| 2018 | 1.1281 | 1.1817 | 1.2488 | 1.1456 |
| 2019 | 1.0905 | 1.1194 | 1.1524 | 1.1227 |
| 2020 | | | | |
| January | 1.1004 | 1.1098 | 1.1187 | 1.1082 |
| February | 1.0794 | 1.0911 | 1.1062 | 1.1001 |
| March | 1.0682 | 1.1046 | 1.1142 | 1.1016 |
| April | 1.0797 | 1.0871 | 1.0971 | 1.0934 |
| May | 1.0800 | 1.0907 | 1.1107 | 1.1107 |
| June | 1.1123 | 1.1259 | 1.1378 | 1.1237 |
| July | 1.1237 | 1.1237 | 1.1822 | 1.1822 |
| August | 1.1750 | 1.1831 | 1.1950 | 1.1950 |
| September | 1.1618 | 1.1785 | 1.1949 | 1.1723 |
| October | 1.1647 | 1.1768 | 1.1870 | 1.1647 |
| November | 1.1634 | 1.1826 | 1.1948 | 1.1948 |
| December | | | | |
| (through 18 December) | 1.2039 | 1.2140 | 1.2258 | 1.2236 |

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective periods.

DIVIDENDS

Subject to the Laws of the PRC and the Articles of Association of the Company, the Company shall distribute dividends to shareholders on a yearly basis in a specific proportion out of the distributable profit realised for the year as set out in that year's consolidated financial statements. The Company may distribute dividends in cash, in shares or in a combination of both cash and shares. Under favourable circumstances, the Company may distribute interim dividends. Subject to the laws of the PRC, the Company may exercise the power to forfeit unclaimed dividends, provided that it does so only after the expiration of the applicable relevant period. When distributing dividends to shareholders, the Company shall withhold and turnover the tax payable on the dividend income of shareholders based on the amount distributed and in accordance with PRC tax laws.

Dividends of ordinary shares or other distributions shall be declared and calculated in Renminbi. Dividends of domestic invested shares shall be paid in Renminbi. Dividends or other distributions of H Shares shall be paid in Hong Kong dollars according to the relevant PRC foreign exchange regulations: The exchange rate shall be the average closing price of Hong Kong dollars to Renminbi declared by the People's Bank of China in the 5 trading days immediately preceding the date of the declaration of dividends or other distributions or in accordance with other exchange rates regulated or permitted by the relevant laws and regulations.

The Directors have recommended the payment of a dividend of RMB35.5 cents (2018: RMB37.5 cents) per share in respect of the year ended 31 December 2019. The dividend has been approved by the Shareholders at the 2019 annual general meeting of the Company. The total dividend pay-out ratio reached 41.5% during the year 31 December 2019 (2018: 46.3%).

The table below sets forth certain information on dividends paid by the Company on its shares in respect of the years indicated:

| Year of dividend distribution | Value per shares | Amount of cash dividend | Profit for the year attributable to owners of the Company in the consolidated statement during the year of dividend distribution | Percentage of cash dividend in profit attributable to owners of the Company in the consolidated statement |
|-------------------------------|--------------------------|------------------------------|---|---|
| | (RMB) (tax inclusive) | (RMB'000) (tax inclusive) | (RMB'000) (2018 restated) | (%) |
| 2019 | 0.355 | 1,541,806 | 3,711,118 | 41.5 |
| 2018 | 0.375 | 1,628,668 | 3,515,095 | 46.3 |

SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTERESTS AND SHARE PROFITS

Directors' and Chief Executives' Interests in Shares

As at 30 June 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

H Shares

As at 30 June 2020, none of the Directors, supervisors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders and Other Persons' Interests in Shares

As at 30 June 2020, as far as is known to the Directors, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under s. 336 of the SFO.

| <u>Substantial shareholders</u> | <u>Capacity</u> | <u>Total interests in number of ordinary shares of the Company</u> | <u>Percentage of the issued share capital of the Company (domestic shares)</u> |
|---------------------------------|------------------|--|--|
| Communications Group | Beneficial owner | 2,909,260,000 | 100% |

| Substantial shareholders | Capacity | Total interests in number of ordinary shares of the Company | Percentage of the issued share capital of the Company (H shares) |
|--------------------------|---|---|---|
| BlackRock, Inc | Interest of controlled corporations | 127,308,111 (L) | 8.88% |
| Citigroup Inc. | Interest of controlled corporations, approved lending agent | 112,660,632 (L) | 7.86% |
| | | 106,000 (S) | 0.01% |
| | | 111,307,515 (P) | 7.76% |
| JP Morgan Chase & Co. | Beneficial owner, investment manager and custodian corporation/approved lending agent | 86,939,093 (L) | 6.06% |
| | | 6,588,485 (S) | 0.46% |
| | | 57,545,598 (P) | 4.01% |
| Cohen & Steers, Inc. | Interest in controlled corporation | 72,426,000 (L) | 5.05% |

Note: The letter “L” denotes a long position. The letter “S” denotes a short position. The letter “P” denotes interest in a lending pool.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

DESCRIPTION OF THE SHARES

Set out below is certain information concerning the H Shares and a summary of certain provisions of the Articles of Association. This summary does not purport to be complete and is qualified in its entirety by reference to the Articles of Association. Any provision of the Articles of Association may be varied by special resolution passed at a general meeting of shareholders of the Issuer.

General

We are a joint stock limited company incorporated in the PRC pursuant to the Company Law, the Special Regulations and other relevant laws and regulations. The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on 15 May 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on 5 May 2000.

Share Capital

The registered capital of the Issuer is RMB4,343,114,500 as of the date of this Offering Circular. The numbers of Shares of each of the Issuer's classes of Shares as of the date of this Offering Circular are as follows:

| Substantial shareholders | <u>Unit: Shares</u> |
|--|---------------------|
| H Shares, per value RMB1.00 per share | 1,433,854,500 |
| Domestic Shares, per value RMB1.00 per share | 2,909,260,000 |

Issue of Shares

According to its operational and development requirements, the Company may increase its capital in accordance with the relevant provisions of these Articles of Association. The Company may increase its capital by the following methods: (i) offer of new shares to unspecified investors; (ii) placement of new shares to the existing shareholders; (iii) bonus issue of new shares to the existing shareholders; and (iv) other methods as permitted by laws and administrative regulations.

The increase of capital of the Company by way of issuing new shares shall be carried out after the board of directors of the Company has prepared a detailed plan for the increase of the total number of shares, the approval of the detailed plan by the shareholders by way of special resolution in shareholders' meeting and the granting of approval by the relevant authority of the State Council. Following the issue of newly increased shares, the Company shall within the time frame set out in the relevant laws and administrative regulations apply for alteration of its registration with the original company registration authority.

Dividends

Dividends of the Company of each year shall be paid within six months after the end of each financial year to each shareholder in proportion to their respective shareholding. The annual dividends shall be passed by shareholders in general meeting, and the amount of dividends to be distributed shall be proposed by the Board of Directors.

Dividends may be distributed in the form of cash or Shares or a combination of both at the same time.

The Company shall appoint receiving agents on behalf of the shareholders of overseas listed foreign invested shares. Receiving agents shall receive on behalf of the relevant shareholders dividends distributed and other monies payable by the Company in respect of the overseas listed foreign invested shares. The receiving agent appointed by the Company shall comply with the laws and the requirements of the regulations of the stock exchange where the shares of the Company are listed. The receiving agent appointed by the Company on behalf of H shareholders shall be a trust company registered in accordance with the Trustee Ordinance of Hong Kong.

Dividends of ordinary shares or other distributions shall be declared and calculated in Renminbi. Dividends of domestic invested shares shall be paid in Renminbi. Dividends or other distributions of H Shares shall be paid in Hong Kong dollars according to the relevant PRC foreign exchange regulations: The exchange rate shall be the average closing price of Hong Kong dollars to Renminbi declared by the People's Bank of China in the 5 trading days immediately preceding the date of the declaration of dividends or other distributions or in accordance with other exchange rates regulated or permitted by the relevant laws and regulations.

When distributing dividends, the Company shall withhold on behalf of the shareholders the tax payable on dividend income in accordance with PRC tax law.

Shareholders' Meetings

Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings. Shareholders' general meetings shall be convened by the board of directors. Annual general meetings shall be convened once every year and shall be held within six months after the end of the preceding accounting year.

Upon the occurrence of any of the following events, the board of directors shall convene an extraordinary general meeting within two months thereof:

- (i) the number of directors falls below the number provided by the Company Law or less than two-thirds of the number required by these Articles of Association;
- (ii) the aggregate losses of the Company which have not been made up amount to one-third of the total share capital of the Company;
- (iii) shareholders holding an aggregate of 10% or more of the issued shares of the Company which carry the rights to vote request in writing the convening of an extraordinary general meeting; and
- (iv) whenever the board of directors considers necessary or the supervisory committee proposes to convene the same.

A shareholders' general meeting shall be convened by a written notice served on the shareholders registered as such in the register of shareholders 45 days prior to the meeting specifying the matters to be considered and the time and place of the meeting. Shareholders who intend to attend the shareholders' general meeting shall serve on the Company a written reply 20 days before the date of the meeting.

When the Company convenes an annual general meeting, shareholders who hold in aggregate 5% or more of the voting rights of the Company shall be entitled to propose additional motions in writing to the Company. The Company shall include such motions falling within the scope of responsibility of the shareholders' general meeting into the notice and agenda of such meeting, provided that such motions shall be served on the Company within 30 days after the issue of the said notice of meeting.

Pursuant to the written replies received 20 days prior to the shareholders' general meeting, the Company shall calculate the number of shares which carry the right to vote held by those shareholders who intend to attend the meeting. If the number of shares which carry the right to vote held by those shareholders who intend to attend the meeting is more than one half of the total number of shares of the Company which carry the right to vote, the Company may convene a shareholders' general meeting; otherwise, the Company shall within 5 days thereof give a further notice to the shareholders specifying the matters to be transacted and the date and place of the meeting by way of an announcement. After giving such notice, the Company may convene the shareholders' general meeting. An extraordinary general meeting shall not resolve any matters which have not been specified in the notice of meeting.

Voting Rights

A shareholder (including his proxy) may exercise voting rights at the shareholders' general meeting according to the number of shares which carry the right to vote held by him and each share shall have one vote.

A shareholder shall appoint his proxy in writing signed by the appointor or an attorney authorized by him for such purpose; if the appointor is a legal entity, the same shall be affixed with the seal of such legal entity, or signed by its directors or a duly authorized representative.

An instrument appointing a proxy shall be deposited at least 24 hours prior to the commencement of the relevant meeting at which the proxy is appointed to vote or 24 hours before the time appointed for voting at the registered address of the Company or such other place as the notice of meeting may specify. If the instrument appointing a proxy has been signed by a person authorized by the appointor, the power of attorney or other instruments of authorization shall be notarized. The power of attorney or other instruments of authorization so notarized together with the proxy form shall be deposited at the registered address of the Company or such other place as the notice of meeting may specify at the same time as the instrument appointing the proxy is so deposited. In the event that the appointor is a legal person, such shareholder shall be represented at the shareholders' general meeting of the Company by its legal representative or the person authorized by its board of directors or other governing body of such appointor.

TAXATION

The following summary of certain PRC and Hong Kong tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds.

Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes (the “non-PRC Holders”). In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Taxation of the Bonds

The Issuer is considered a PRC tax resident enterprise for the purpose of the EIT Law and is subject to enterprise income tax at a rate of 25 per cent. on its income sourced from both within and outside the PRC. On that basis, Holders will be subject to withholding tax, income tax and other taxes or duties imposed by relevant government authorities in the PRC in respect of the holding of the Bonds or any repayment of principal and premium (if any) made thereon, as further described below.

In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income, if it (i) does not have an establishment or place of business in the PRC or (ii) has an establishment or place of business in the PRC but its PRC-sourced income is not connected with such establishment or place of business in the PRC, unless an exemption or a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established or tax resident and the PRC, and such income tax must be withheld at source by the PRC payer.

According to the IIT Law and the implementation regulations, non-resident individuals are generally subject to individual income tax at a rate of 20% with respect to PRC-sourced income from interest, dividends and transfer of property unless such tax is reduced or exempted under relevant double taxation treaties. Under the IIT Law, a “non-resident individual” means any non-resident PRC individual who has no domicile and does not reside in the PRC or who has no domicile but has resided in China for less than one year.

Accordingly, if, in accordance with the Terms and Conditions, the Issuer is required to pay interest on the Bonds because payment of principal on the Bonds was improperly withheld or refused, the Issuer must withhold income tax from the payments of the interest on the Bonds to any non-PRC resident enterprise Holder and any non-PRC resident individual Holder. In such case, subject to certain exceptions, the Issuer will pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by them had no such withholding been required.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax effected on 1 May 2016, entities and individuals engaging in the sale of services, intangible assets or real property within PRC must pay value-added tax (“VAT”) in accordance with these measures. The VAT rates for financial services, which refer to the business activities of financial and insurance operations, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, shall be 6% plus local levies. Income obtained from various kinds of possession or borrowing of funds, including interest income, will be subject to VAT. If, in accordance with the Terms and Conditions, the Issuer is required to pay interest on the Bonds because payment of principal on the Bonds was improperly withheld or refused, the Issuer may be required to withhold VAT on such interest payment. In such case, subject to certain exceptions, the Issuer will pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by them had no such withholding been required.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC resident enterprise Holders under the EIT Law may be subject to PRC enterprise income tax if such gains are regarded as PRC-sourced income. Under the IIT Law and its implementation rules, any gains realised on the transfer of the Bonds by non-PRC individual Holders under the IIT Law may be subject to PRC individual income tax in such gains are regarded in PRC-sourced income. As at the date of this Offering Circular, no specific legislation or implementation rules have expressly provided whether it is required to and how to collect the tax from non-PRC resident enterprises or non-resident individuals on income derived by them from the sale or transfer of the Bonds and there is uncertainty as to whether gains realised on the transfer of the Bonds by non-PRC resident enterprise Holders or non-PRC individual Holders will be subject to PRC enterprise or individual income tax. It is possible that taxation authorities may formulate and promulgate specific implementation rules or relevant regulations in terms of collecting enterprise income tax or individual income tax on such income in the future.

Any PRC tax on redemption premium or transfers of Bonds will apply at a rate of 10 per cent. in the case of non-PRC enterprises and 20 per cent. in the case of non-PRC individuals unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

The conversion of the Bonds by non-PRC Holders is not subject to PRC income tax.

Taxation of the H Shares

Taxation of Dividends on H shares

According to the Notice Regarding Questions on Withholding Enterprise Income tax When PRC Resident Enterprises Distribute Dividends to Non-resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No.897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, which became effective on November 6, 2008, PRC issuers, such as the Issuer, should withhold enterprise income tax at a rate of 10% when they distribute dividends to non-resident enterprise shareholders of H Shares, including HKSCC Nominees Limited. Non-resident enterprise investors in H-shares can file an application with the PRC tax authorities for reduced rates under any applicable tax agreements (or arrangements). Such investors will be required to provide materials proving that they are the beneficial owners that meet the requirements of any such tax agreements (or arrangements).

According to the IIT Law as amended, and its implementation rules, dividends paid by PRC companies to individual shareholders are generally subject to a PRC withholding tax levied at a flat rate of 20%. However, pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國

家稅務總局關於國稅發〔1993〕045號檔廢止後有關個人所得稅徵管問題的通知》(國稅函〔2011〕348號)) issued by the SAT, if a domestic non-foreign-invested enterprise, such as the Issuer, issues its shares in Hong Kong, its non-PRC resident individual shareholders may be entitled to preferential tax treatments in accordance with applicable tax treaties and arrangements. Generally, the distribution of dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to a withholding individual income tax of 10% and there is no need to apply to the PRC tax authorities to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply to the PRC tax authorities for a refund of the excess amount withheld. In accordance with the PRC laws, if an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his or her dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his or her dividend will be subject to income tax at a tax rate of 20%. The Issuer will withhold tax from any dividend payment at the applicable tax rate (which may be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder is identified by the Issuer).

Taxation of Capital Gains related to transfer of H shares

According to the EIT Law and its implementation rules, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including the gains derived from the disposal of equity interests in a PRC enterprise, such as the H shares. Such tax may be reduced or eliminated under applicable tax treaties.

According to the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. However, under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi〔1998〕No. 61) (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字〔1998〕61號)) issued by the MOF and the SAT on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed enterprises, such as the H shares, continues to be exempted from individual income tax. After the latest amendment to the IIT Law, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on 31 December 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui〔2009〕No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅〔2009〕167號)), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax. As of the date of this Offering Circular, the aforementioned provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals' gains from the sale of our H Shares.

Tax Arrangements and Treaties

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重征稅和防止偷漏稅的安排》) with respect to taxes on income signed on August 21, 2006, the PRC tax authorities may impose tax on dividends payable by a PRC company to a Hong Kong resident, but such tax shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident beneficially owns at least 25% equity interest in a PRC company, such tax shall not exceed 5% of the gross amount of dividends payable by the PRC company.

Investors who do not reside in the PRC and reside in countries that have entered into avoidance of double taxation treaties with the PRC may be entitled to a reduction of the tax imposed on payments to investors in our Company who do not reside in the PRC. The PRC currently has double-taxation treaties with many nations in the world, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Stamp duty

Except for the PRC stamp duty on booking capital account (記載資金的帳簿) which must be paid by the Issuer as a result of the issuance of H shares on the conversion of the Bonds, no PRC stamp duty will be chargeable to non-PRC Holders of the Bonds and non-PRC shareholders of H shares upon the issue, conversion or transfer of the Bonds or H shares (if the register of the Holders is maintained outside the PRC).

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Bonds) on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Income (if any) from the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (a) income (if any) from the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) income (if any) from the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or
- (c) income (if any) from the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- (d) income (if any) from the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of the Holders is maintained outside Hong Kong) or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the H Shares. Hong Kong stamp duty is payable, however, on any purchase and sale of H Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the H Shares bought and sold. In other words, a total of 0.2 per cent. is generally payable on sale and purchase transaction of H Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of H Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Manager dated 5 January 2021 (the “Subscription Agreement”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 100 per cent. of their principal amount in the amount set forth below:

| | Principal Amount of Bonds |
|--|--------------------------------------|
| | Euro |
| China International Capital Corporation Hong Kong Securities Limited | 76,666,667 |
| Citigroup Global Markets Limited | 76,666,666 |
| UBS AG Hong Kong Branch | 76,666,667 |
| Total | 230,000,000 |

The Issuer has agreed with the Joint Lead Managers in the Subscription Agreement that, for a period of 90 days after the Issue Date, neither the Issuer nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers between 5 January 2021 and the date which is 90 days after the Closing Date (both dates inclusive); except for the Bonds and the new H Shares issued on conversion of the Bonds.

Communications Group has undertaken that neither it nor its nominee nor any person acting on its behalf will (a) issue, offer, sell, pledge, encumber, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them; (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares; or (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers between 5 January 2021 and the date which is 90 days after the Issue Date (both dates inclusive); except for the Bonds and new H Shares issued on conversion of the Bonds.

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer or its subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer or its subsidiaries and affiliates in the ordinary course of their business.

The Joint Lead Managers or their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer or the Joint Lead Managers.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. The Group will have no responsibility for, and each Joint Lead Manager will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. None of the Joint Lead Managers is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds, other than as contained in this Offering Circular or any amendment or supplement thereto.

United States

The Bonds and the H Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering circular in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the UK. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and undertaken that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Act") and, accordingly, each Joint Lead Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re offering or re sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People's Republic of China

Each of the Joint Lead Managers has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

Switzerland

The Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. None of the Offering Circular and any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and none of the Offering Circular and any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

GENERAL INFORMATION

1. **Clearing Systems.** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 212786462 and the International Securities Identification Number for the Bonds is XS2127864622.
2. **Authorisations.** The Company has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was approved by the resolutions of the Board of Directors of the Company passed on 31 October 2019 and by the Shareholders at the extraordinary general meeting of the Company held on 23 December 2019.
3. **No Material Adverse Change.** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position, prospects or results of operations of the Company or the Group since 30 June 2020.
4. **Litigation.** From time to time, the Company and other members of the Group may be involved in litigation or other disputes that arise in the ordinary course of business. However, none of the Company or any member of the Group is currently involved in any litigation, disputes or arbitration proceedings which the Group believes are material in the context of the Bonds, and the Company is not aware of any material litigation, disputes or arbitration proceedings that are currently pending or threatened.
5. **Listing of Bonds.** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.
6. **Listing of Shares.** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued upon conversion of the Bonds.
7. **Available Documents.** As long as any of the Bonds are outstanding, copies of the following documents will be available for inspection and, in the case of the documents referred to in paragraph (b) below, copies may be obtained during normal business hours at the representative office in Hong Kong of the Company at Room 1710B, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong, and in the case of the documents referred to in paragraphs (d) and (e) below, following prior written request and satisfactory proof of holding at the specified office of the Principal Paying Agent (currently at One Canada Square, London, E14 5AL) during normal business hours (being 9:00 a.m. to 3:00 p.m.):
 - (a) Articles of Association of the Company;
 - (b) copies of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2018 and 2019;
 - (c) copies of the unaudited consolidated financial statements of the Company as at and for the six months ended 30 June 2019 and 2020;
 - (d) the Agency Agreement; and
 - (e) the Trust Deed.

8. **Independent Auditors.** The Company's consolidated audited financial statements as at and for the year ended 31 December 2019, which are incorporated by reference in this Offering Circular, have been audited by Deloitte Touche Tohmatsu, the independent auditors of the Company.

The independent auditors of the Company have agreed to the incorporation by reference in this Offering Circular herein of, and all references to, (i) their name and (ii) their audit report dated 20 March 2020 on the consolidated financial statements of the Company for the year ended 31 December 2019.

ISSUER

Zhejiang Expressway Co., Ltd.
浙江滬杭甬高速公路股份有限公司
12/F, Block A, Dragon Century Plaza
1 Hangda Road
Hangzhou City, Zhejiang Province
The People's Republic of China

TRUSTEE

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

LEGAL ADVISERS TO THE ISSUER

As to English law

Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law

Zhejiang T&C Law Firm
11th Floor, Building A, Dragon Century Plaza
No. 1 Hangda Road
Hangzhou, Zhejiang Province
China

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to English law

Linklaters
10th Floor, Alexandra House
18 Chater Road Central
Hong Kong

As to PRC law

Jia Yuan Law Offices
F 408, Ocean Plaza
158 Fuxing Men Nei Street, Xicheng District
Beijing
China

LEGAL ADVISER TO THE TRUSTEE

Ashurst Hong Kong
11/F, Jardine House
1 Connaught Place
Central
Hong Kong

AUDITOR OF THE ISSUER

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong