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*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 0576)**

## **ANNOUNCEMENT**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT AND THE SUPPLEMENTAL AGREEMENT WITH ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.**

#### **THE NEW FINANCIAL SERVICES AGREEMENT AND THE SUPPLEMENTAL AGREEMENT**

Reference is made to the announcement of the Company dated March 30, 2016 relating to the Previous Financial Services Agreement in relation to, among others, the provisions of the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services by Zhejiang Communications Finance to the Group.

Since the Previous Financial Services Agreement will expire on March 29, 2019, the Company entered into the New Financial Services Agreement with Zhejiang Communications Finance on March 18, 2019 for renewal of the terms of the Previous Services Agreement with effect from March 30, 2019 for a term of three years. All terms and conditions under the Previous Financial Services Agreement remain substantially unchanged.

On March 18, 2019, the Company further entered into the Supplemental Agreement to the New Financial Services Agreement with Zhejiang Communications Finance to increase (i) the existing annual caps for the Deposit Services from RMB1.4 billion to RMB2.5 billion (including any interest accrued thereon) for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022; and (ii) the existing amount of credit line of the Loan Services granted by Zhejiang Communications Finance to the Group from not less than RMB1.5 billion to not less than RMB2.5 billion for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022.

Save for the Revised Annual Caps and the Revised Credit Line, all terms and conditions under the New Financial Services Agreement remain substantially unchanged. The Revised Annual Caps will take effect subject to the Independent Shareholders' approval.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the date of this announcement, Zhejiang Communications Finance is owned as to 35%, 40% and 25% by the Company, Communications Group and Ningbo Expressway Co., respectively. Therefore, Zhejiang Communications Finance is a connected person of the Company and as a result, the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services contemplated under the New Financial Services Agreement and entering into the Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

#### **(i) The New Financial Services Agreement**

As each of the applicable percentage ratios (other than the profits ratio) in respect of the Deposit Services under the New Financial Services Agreement is more than 0.1% but less than 5%, the Deposit Services will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Loan Services under the New Financial Services Agreement will constitute financial assistance provided by a connected person. As the Loan Services will be provided on normal commercial terms or on terms which are more favorable to the Group and will not be secured by the assets of the Group, the Loan Services under the New Financial Services Agreement are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company expects that each of the applicable percentage ratios (other than the profits ratio) of the total fees payable by the Group to Zhejiang Communications Finance under the Clearing Services and the Other Financial Services will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules in the event that the transaction amount of the Clearing Services and the Other Financial Services to be provided by Zhejiang Communications Finance to the Group under the New Financial Services Agreement is expected to exceed the relevant thresholds.

**(ii) The Supplemental Agreement**

As one or more of the relevant applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps for the Deposit Services under the Supplemental Agreement is more than 5% but less than 25%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As mentioned, the Loan Services are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

**GENERAL**

The Company will put forward, among other things, ordinary resolutions to approve the Revised Annual Caps, at the AGM to be convened by the Company for the Independent Shareholders' consideration and approval. An Independent Board Committee has been formed to consider the Revised Annual Caps, and Octal Capital has been appointed as the Company's Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps.

A circular containing, among other things, (i) details of the Revised Annual Caps, (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, and (iv) a notice of AGM, is expected to be dispatched to the Shareholders on or before April 8, 2019.

## **NEW FINANCIAL SERVICES AGREEMENT AND THE SUPPLEMENTAL AGREEMENT**

Reference is made to the announcement of the Company dated March 30, 2016 relating to the Previous Financial Services Agreement in relation to, among others, the provisions of the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services by Zhejiang Communications Finance to the Group.

Since the Previous Financial Services Agreement will expire on March 29, 2019, the Company entered into a New Financial Services Agreement with Zhejiang Communications Finance on March 18, 2019 for renewal of the terms of the Previous Services Agreement with effect from March 30, 2019 for a term of three years. All terms and conditions under the Previous Financial Services Agreement remain substantially unchanged.

On March 18, 2019, the Company further entered into the Supplemental Agreement to the New Financial Services Agreement with Zhejiang Communications Finance to increase (i) the existing annual caps for the Deposit Services from RMB1.4 billion to RMB2.5 billion (including any interest accrued thereon) for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022; and (ii) the existing amount of credit line of the Loan Services granted by Zhejiang Communications Finance to the Group from not less than RMB1.5 billion to not less than RMB2.5 billion for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022.

Save for the Revised Annual Caps and the Revised Credit Line, all terms and conditions under the New Financial Services Agreement remain substantially unchanged. The Revised Annual Caps will take effect subject to the Independent Shareholders' approval.

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

<b>Date</b>	:	March 18, 2019
<b>Parties</b>	:	(i) The Company; and (ii) Zhejiang Communications Finance
<b>Terms</b>	:	For the three years from March 30, 2019 to March 29, 2022
<b>Condition precedent</b>	:	The effectiveness of the Supplemental Agreement is conditional upon the Board and the Independent Shareholders' approval of the Revised Annual Caps

**Principal services  
to be provided**

: Pursuant to the New Financial Services Agreement, the services to be provided by Zhejiang Communications Finance to the Group include the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services. The financial services will be provided under the New Financial Services Agreement on a non-exclusive basis and the Group is entitled to determine whether to accept the financial services provided by Zhejiang Communications Finance or decide to accept the financial services provided by other financial institutions. The Group is not obliged to accept any financial services provided by Zhejiang Communications Finance under the New Financial Services Agreement.

**(i) *Deposit Services***

In respect of the provision of the Deposit Services under the New Financial Services Agreement, Zhejiang Communications Finance may provide current deposit, time deposit, call deposit or agreement deposit services to the Group. The maximum daily aggregate outstanding balance of deposits will not exceed RMB1.4 billion (including any interest accrued thereon). The Group will choose the deposit service to be provided.

As supplemented by the Supplemental Agreement, upon the Board and the Independent Shareholders' approval, the maximum daily aggregate outstanding balance of deposits will be revised to RMB2.5 billion (including any interest accrued thereon) for the Deposit Services.

**(ii) *Loan Services***

In respect of the provision of the Loan Services under the New Financial Services Agreement, Zhejiang Communications Finance will grant integrated credit facilities of no less than RMB1.5 billion to the Group.

As supplemented by the Supplemental Agreement, upon the Board and the Independent Shareholders' approval, Zhejiang Communications Finance could grant integrated credit facilities of no less than RMB2.5 billion to the Group for the Loan Services under the New Financial Services Agreement.

**(iii) *Clearing Services***

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

**(iv) *Other Financial Services***

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

The parties to the New Financial Services Agreement further agree to enter into separate agreements for the relevant financial services actually provided under the New Financial Services Agreement and the terms of such agreements will be based on the New Financial Services Agreement and will be in compliance with the terms stipulated therein in all material aspects.

**Basis of consideration : (i) *Deposit Services***

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

**(ii) *Loan Services***

The interest rate to be charged by Zhejiang Communications Finance for loans granted to the Group by Zhejiang Communications Finance will be based on the prevailing bank lending interest rate promulgated by the People's Bank of China for the same period and should not be higher than the interest rates charged by major commercial banks in the PRC for comparable loans of comparable periods.

**(iii) *Clearing Services***

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

**(iv) *Other Financial Services***

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

**Governing Law**

The laws of the PRC

## HISTORICAL TRANSACTION AMOUNTS

The historical amounts for the Deposit Services under the Previous Financial Services Agreement are as follows:

Year ended December 31, 2016 <i>(RMB'000)</i> (audited)	Year ended December 31, 2017 <i>(RMB'000)</i> (audited)	Year ended December 31, 2018 <i>(RMB'000)</i> (audited)	Two months ended February 28, 2019 <i>(RMB'000)</i> (unaudited)
1,379,066	1,301,639	1,485,380	1,218,730

The historical amounts for the Loan Services under the Previous Financial Services Agreement are as follows:

Year ended December 31, 2016 <i>(RMB'000)</i> (audited)	Year ended December 31, 2017 <i>(RMB'000)</i> (audited)	Year ended December 31, 2018 <i>(RMB'000)</i> (audited)	Two months ended February 28, 2019 <i>(RMB'000)</i> (unaudited)
500,000	1,530,000	1,970,000	600,000

The historical amounts for the Clearing Services under the Previous Financial Services Agreement are as follows:

Year ended December 31, 2016 <i>(RMB'000)</i> (audited)	Year ended December 31, 2017 <i>(RMB'000)</i> (audited)	Year ended December 31, 2018 <i>(RMB'000)</i> (audited)	Two months ended February 28, 2019 <i>(RMB'000)</i> (unaudited)
0	0	0	0

The historical amounts for the Other Financial Services under the Previous Financial Services Agreement are as follows:

Year ended December 31, 2016 <i>(RMB'000)</i> (audited)	Year ended December 31, 2017 <i>(RMB'000)</i> (audited)	Year ended December 31, 2018 <i>(RMB'000)</i> (audited)	Two months ended February 28, 2019 <i>(RMB'000)</i> (unaudited)
0	0	0	0



## PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

### (i) Deposit Services

Pursuant to the New Financial Services Agreement, the maximum daily aggregate outstanding balance of deposits (including accrued interests thereon) will be RMB1.4 billion, being RMB0.1 billion less than the maximum daily aggregate outstanding balance of deposits under the Previous Financial Services Agreement.

Under the Supplemental Agreement, upon the Board and the Independent Shareholders' approval, the maximum daily aggregate outstanding balance of deposits (including accrued interest thereon) of the Group with Zhejiang Communications Finance will be RMB2.5 billion.

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

- (a) in the past three years ended December 31, 2018, the business operations of the Company have grown steadily with an approximately 9% compound growth rate for profit for the year attributable to owners of the Company. It is expected that the business scale and profitability of the Company will be further improved in the next few years. The toll revenue generated from the expressway business of the Company was approximately RMB5.279 billion, RMB5.986 billion and RMB6.302 billion for the years ended December 31, 2016, 2017 and 2018, respectively. In 2019, the Company acquired the entire equity interest in Zhejiang Shenjiahuhang Expressway Co., Ltd.\* (浙江申嘉湖杭高速公路有限公司), a subsidiary of the Communications Group. The Company is expecting a significant increase in the toll revenue in the forthcoming years. In addition, the deposits of companies acquired from the Communications Group with Zhejiang Communications Finance will be consolidated and counted as part of the total deposit amount of the Company with Zhejiang Communications Finance upon the completion of such acquisitions. As such, it is expected that the amount of deposits in the forthcoming years will exceed the existing annual caps for the Deposit Services; and

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

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

- (a) the finance management department of the Company will monitor the daily balance of the deposit made by the Group with all financial institutions, including Zhejiang Communicates Finance and will submit weekly report on the Group's cash flow position to the senior management of the Company for review and consideration of the overall funding position of the Group;
- (b) Zhejiang Communications Finance will provide the Company its (i) audited annual financial statements and unaudited interim financial statements once they are available; and (ii) financial information and regulatory indicators on quarterly basis in order to allow the Company to monitor and assess the financial position of Zhejiang Communications Finance;
- (c) Zhejiang Communications Finance will monitor the maximum daily balance of the deposits placed by the Group (including interest accrued thereon) on a daily basis to ensure that the aggregate daily balance of the deposits does not exceed the approved deposit cap;
- (d) the Group may at any time request for the deposited fund to be withdrawn from Zhejiang Communications Finance, partially or fully, at the Group's discretion, to ensure the liquidity and safety of the deposited fund;
- (e) Zhejiang Communications Finance will provide the Company and its subsidiaries a daily report on their deposited funds; and

- (f) the Company, as a shareholder of Zhejiang Communications Finance, has nominated a director to Zhejiang Communications Finance, in order to monitor, inspect, and control the risk management measures of Zhejiang Communications Finance from time to time.

As at the date of this announcement, the transaction amount of the continuing connected transactions under the New Financial Services Agreement has not exceeded the existing annual caps.

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

**(ii) Loan Services**

Pursuant to the New Financial Services Agreement, the daily aggregate outstanding balance of loans provided by Zhejiang Communications Finance will not be less than RMB1.5 billion, being the same as the daily aggregate balance of loan under the Previous Financial Services Agreement.

Under the Supplemental Agreement, upon the Board and the Independent Shareholders' approval, the daily aggregate outstanding balance of loans provided by Zhejiang Communications Finance will not be less than RMB2.5 billion. As mentioned, the Loan Services are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(iii) Clearing Services**

The Company expects that each of the applicable percentage ratios (other than the profits ratio) of the total fees payable by the Group to Zhejiang Communications Finance under the Clearing Services will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules in the event that the transaction amount of the Clearing Services to be provided by Zhejiang Communications Finance to the Group under the New Financial Services Agreement is expected to exceed the relevant thresholds.

**(iv) Other Financial Services**

The Company expects that each of the applicable percentage ratios (other than the profits ratio) of the total fees payable by the Group to Zhejiang Communications Finance under the Other Financial Services will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules in the event that the transaction amount of the Other Financial Services to be provided by Zhejiang Communications Finance to the Group under the New Financial Services Agreement is expected to exceed the relevant threshold. The Company confirms that there will be no provision of financial assistance by the Group to Zhejiang Communications Finance under the New Financial Services Agreement.

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

- (a) The finance management department of the Company has been assigned to be responsible for the frontline governance and monitoring for financial services management. Before the Company or any of its subsidiaries enters into any individual agreement for financial services with Zhejiang Communications Finance or other commercial banks or financial institutions in the PRC, the finance management department of the Company would consider factors, including but not limited to (i) the Group's expected cash flow; and (ii) the pricing terms offered by the Zhejiang Communications Finance and other commercial banks of the Group;
- (b) The finance management department of the Company will obtain not less than two quotations from other independent financial institutions which are leading licensed banks in the PRC for the same type of financial services with the same duration; and
- (c) The Company will compare and select the financial services provider that offers the most favorable terms to the Group, after which the finance management department of the Company will submit a financial services application to the senior management for review and the executive Director, who is in charge of the Group's finance management department, will grant the final approval.

## **REASONS FOR AND BENEFITS OF THE NEW FINANCIAL SERVICES AGREEMENT AND THE SUPPLEMENTAL AGREEMENT**

Being a connected person of the Company, Zhejiang Communications Finance has been providing the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services to our Group since 2013. With the renewal of the Previous Financial Services Agreement by entering into the New Financial Services Agreement, the Company expects to further derive synergy from utilizing services provided by Zhejiang Communications Finance through the ordinary and usual course of business of both companies. The Directors, including all of the independent non-executive Directors, consider that the transactions contemplated under the New Financial Services Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

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

In addition, deposit with centralized funds is also beneficial for the Company to obtain a better loan interest rate. Although the market interest rate generally increased in 2018, the average loan interest rate offered by Zhejiang Communications Finance to the Group was 5% or more lower than the benchmark market interest rate for the period from 2016 to 2018. The increase in annual caps for the Deposit Services will help the Company to raise more funds from Zhejiang Communications Finance with more favorable loan interest rates.

As mentioned above, the maximum daily aggregate outstanding balance of deposits of the Company accounted for approximately 92%, 87%, 99% and 81% of the previous annual caps of RMB1.5 billion for the Deposit Services under the Previous Financial Services Agreement for the years ended December 31, 2016, 2017 and 2018 and two months ended February 28, 2019, respectively. It is expected that the existing annual caps of RMB1.4 billion for the Deposit Services under the New Financial Services Agreement, being RMB0.1 billion less than the previous annual caps under the Previous Financial Services Agreement, will be insufficient to satisfy the Group's future needs. Accordingly, the Directors therefore propose to revise the existing annual caps for the maximum daily aggregate outstanding balance of deposits (including any interest accrued thereon) for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022.

Taking into account of the above, the Directors, including all of the independent non-executive Directors, consider that the transactions contemplated under the Revised Annual Caps are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As Mr. Yu Zhihong, Mr. Dai Benmeng, Mr. Yu Qunli and Mr. Yu Ji are all Directors of the Company and employees of the Communications Group, they have abstained from voting at the board meeting at which the New Financial Services Agreement and the Supplemental Agreement were considered and approved. Save for Mr. Yu Zhihong, Mr. Dai Benmeng, Mr. Yu Qunli and Mr. Yu Ji, none of the Directors has any material interest in the New Financial Services Agreement and the Supplemental Agreement or is required to abstain from voting on the relevant Board resolutions to approve the same.

### **INFORMATION ON ZHEJIANG COMMUNICATIONS FINANCE**

Zhejiang Communications Finance is a limited liability company incorporated in the PRC on November 9, 2012 and approved by CBRC as a non-banking financial institution on October 17, 2012 with a current registered capital of RMB2 billion. As at the date of this announcement, Zhejiang Communications Finance is owned as to 35%, 40% and 25% by the Company, Communications Group and Ningbo Expressway Co. respectively.

Zhejiang Communications Finance is principally engaged in the business of providing financial services to the subsidiaries of Communications Group, including but not limited to advising the subsidiaries of the Communications Group in relation to financing, letters of credit and other agency services; providing guarantees, accepting and discounting commercial notes, arranging for loans, and receiving deposits from the subsidiaries of Communications Group.

### **INFORMATION ON THE COMPANY**

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

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the date of this announcement, Zhejiang Communications Finance is owned as to 35%, 40% and 25% by the Company, Communications Group and Ningbo Expressway Co., respectively. Therefore, Zhejiang Communications Finance is a connected person of the Company and as a result, each of the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services contemplated under the New Financial Services Agreement and entering into the Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.



**(i) The New Financial Services Agreement**

As each of the applicable percentage ratios (other than the profits ratio) in respect of the Deposit Services under the New Financial Services Agreement is more than 0.1% but less than 5%, the Deposit Services will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Loan Services under the New Financial Services Agreement will constitute financial assistance provided by a connected person. As the Loan Services will be provided on normal commercial terms or on terms which are more favorable to the Group and will not be secured by the assets of the Group, the Loan Services under the New Financial Services Agreement are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company expects that each of the applicable percentage ratios (other than the profits ratio) of the total fees payable by the Group to Zhejiang Communications Finance under the Clearing Services and the Other Financial Services will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules in the event that the transaction amount of the Clearing Services and the Other Financial Services to be provided by Zhejiang Communications Finance to the Group under the New Financial Services Agreement is expected to exceed the relevant threshold.

**(ii) The Supplemental Agreement**

As one or more of the relevant applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps for the Deposit Services under the Supplemental Agreement is more than 5% but less than 25%, such transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As mentioned, the Loan Services are exempt from announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

## **GENERAL**

The Company will put forward, among other things, ordinary resolutions to approve the Revised Annual Caps at the AGM to be convened by the Company for the Independent Shareholders' consideration and approval.

An Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin has been formed to consider the Revised Annual Caps, and Octal Capital has been appointed as the Company's Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps.

A circular containing, among other things, (i) details of the Revised Annual Caps, (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Revised Annual, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, and (iv) a notice of AGM, is expected to be dispatched to the Shareholders on or before April 8, 2019.

## **DEFINITIONS**

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

“%”	per cent.
“AGM”	the 2018 annual general meeting of the Shareholders of the Company to be convened for the purposes of, among other things, the approval by the Independent Shareholders of the Revised Annual Caps
“annual cap(s)”	has the meaning ascribed to it under Rule 14A.53 of the Listing Rules
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors



“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會) of the PRC
“Clearing Services”	the clearing services provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement and the New Financial Services Agreement
“Communications Group”	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a wholly state owned enterprise established in the PRC, and the controlling shareholder of the Company
“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the cash deposit services provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement, the New Financial Services Agreement and the Supplemental Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Pei Ker-Wei, Ms. Lee Wai Tsang, Rosa and Mr. Chen Bin
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders

“Independent Shareholders”	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Revised Annual Caps at the AGM, means the Shareholders other than Communications Group and its associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan Services”	the loan services provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement, the New Financial Services Agreement and the Supplemental Agreement
“New Financial Services Agreement”	the financial services agreement dated March 18, 2019 entered into between the Company and Zhejiang Communications Finance, pursuant to which Zhejiang Communications Finance agreed to provide the Group with the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services, subject to the terms and conditions provided therein, as a renewal of the Previous Financial Services Agreement with effect from March 30, 2019 for a term of three years
“Ningbo Expressway Co.”	Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. (浙江寧波甬台溫高速公路有限公司), a limited liability company incorporated in the PRC and a 80.4498% owned subsidiary of Communications Group
“Other Financial Services”	the financial services (other than the Deposit Services, the Loan Services and the Clearing Services) provided or proposed to be provided by Zhejiang Communications Finance to the Company pursuant to the Previous Financial Services Agreement and the New Financial Services Agreement
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan)

“Previous Financial Services Agreement”	the financial services agreement dated March 30, 2016 entered into between the Company and Zhejiang Communications Finance, pursuant to which Zhejiang Communications Finance agreed to provide the Group with the Deposit Services, the Loan Services, the Clearing Services and the Other Financial Services, subject to the terms and conditions provided therein
“Revised Annual Caps”	revised annual caps under the New Financial Services Agreement for the Deposit Services from RMB1.4 billion to RMB2.5 billion for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022 pursuant to the Supplemental Agreement
“Revised Credit Line”	revised daily aggregate outstanding balance of loans for the Loan Services under the New Financial Services Agreement from not less than RMB1.5 billion to not less than RMB2.5 billion for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022 pursuant to the Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement”	a supplemental agreement to the New Financial Services Agreement entered into between the Company and Zhejiang Communications Finance dated March 18, 2019, for the purpose of the Revised Annual Caps and the Revised Credit Line

“Zhejiang Communications  
Finance”

Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a limited liability company incorporated in the PRC, which is owned as to 35%, 40% and 25% by the Company, Communications Group and Ningbo Expressway Co., respectively

\* *For identification purpose only.*

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

Hangzhou, the PRC, March 18, 2019

*As at the date of this announcement, the chairman of the Company is Mr. YU Zhihong; the executive Directors of the Company are: Mr. CHENG Tao and Ms. LUO Jianhu; the other non-executive Directors of the Company are: Mr. DAI Benmeng, Mr. YU Qunli and Mr. YU Ji; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.*