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浙江滬杭甬高速公路股份有限公司

ZHEJIANG EXPRESSWAY CO., LTD.

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

(Stock code: 0576)

CONNECTED TRANSACTION

IN RELATION TO THE CAPITAL INCREASE IN ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD

THE CAPITAL CONTRIBUTION AGREEMENT

On August 9, 2019, the Company entered into the Capital Contribution Agreement with Zhejiang Communications Finance and the Existing Shareholders, pursuant to which the Company agreed to contribute an amount of RMB350,000,000, by way of cash, into the equity capital of Zhejiang Communications Finance, an associate of the Company.

LISTING RULES IMPLICATIONS

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 controlling shareholder of the Company. As at the date of this announcement, Communications Group also directly and indirectly through Ningbo Expressway Co, holds in aggregate approximately 65% of the issued share capital of Zhejiang Communications Finance. Therefore, Zhejiang Communications Finance, being a subsidiary of Communications Group, is a connected person of the Company and as a result, the Capital Contribution contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Capital Contribution is higher than 0.1% but less than 5%, the Capital Contribution Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On August 9, 2019, the Company entered into the Capital Contribution Agreement with Zhejiang Communications Finance and the Existing Shareholders, pursuant to which the Company agreed to contribute an amount of RMB350,000,000, by way of cash, into the equity capital of Zhejiang Communications Finance, an associate of the Company.

CAPITAL CONTRIBUTION AGREEMENT

Date

August 9, 2019

Parties

- (i) Communications Group
- (ii) the Company
- (iii) Ningbo Expressway Co
- (iv) Zhejiang Communications Finance

Capital Contribution

Pursuant to the Capital Contribution Agreement, the Existing Shareholders and the Company agreed to contribute capital in cash to Zhejiang Communications Finance on a pro rata basis in proportion to their existing shareholding in Zhejiang Communications Finance in the aggregate amount of RMB1,000,000,000, of which the Company agreed to contribute an amount of RMB350,000,000 based on its current shareholding in Zhejiang Communications Finance. The Company intends to satisfy the Capital Contribution by way of its internal resources.

Basis of determination of the Capital Contribution

The amount of capital contributions to be made by the Company and the Existing Shareholders in the aggregate sum of RMB1,000,000,000 was determined after arm's length negotiations amongst the parties with reference to the future capital need of Zhejiang Communications Finance.

Timing of the Capital Contribution

Subject to the Capital Contribution Agreement becoming effective, the Capital Contribution by the Company is expected to be made on or before August 31, 2019 and will be paid off in one time.

Conditions precedent and effective date

Completion of the Capital Contribution Agreement is conditional upon the approval of the CBIRC having been obtained in connection with the Capital Contribution Agreement which has been satisfied as of the date of this announcement. The Capital Contribution Agreement will become effective upon valid execution by the relevant parties using a company chop on the date on which it is approved by the CBIRC which is August 9, 2019, being the same date as the Capital Contribution Agreement.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

Being a connected person of the Company, Zhejiang Communications Finance has been providing cash deposit services, loan services, clearing services and other financial services to the Company since 2013. As the Communications Group's scale of operation expanded significantly and the Company expects to further derive synergy from utilizing services provided by Zhejiang Communications Finance through the ordinary and usual course of business from both companies, the existing capital level of Zhejiang Communications Finance is no longer sufficient to support its expansion.

As a non-bank financial institution, the operations of Zhejiang Communications Finance are subject to various capital requirements imposed by the People's Bank of China and the CBIRC. For instance, People's Bank of China's Macro-Prudential Assessment requires its scale of business to be subject to both the general credit growth rate and the macro-prudential capital adequacy ratio. If the general credit scale of Zhejiang Communications Finance is increased by a certain percentage, the capital adequacy ratio will be subject to a corresponding percentage reduction based on the existing capital scale of Zhejiang Communications Finance, and as a result may fail to satisfy the capital requirements imposed by regulatory authorities. The Capital Contribution would therefore enable Zhejiang Communications Finance to cope with the enhanced regulatory requirements on capital sufficiency and capital management imposed by regulators such as the People's Bank of China and the CBIRC.

With the increase in size of operations, regulatory authorities also impose stricter compliance requirements on Zhejiang Communications Finance and expect a higher registered capital amount. It is important for Zhejiang Communications Finance to increase its level of capital in order to continue expanding its business scope in order to serve the subsidiaries of the Communications Group (including the Company) while continue to meet the regulatory requirements imposed by regulatory authorities.

Moreover, each Existing Shareholder is contributing to the total amount of the Capital Contribution on a pro rata basis in proportion to its existing shareholding in Zhejiang Communications Finance and there is no premium in return for the capital increase.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Contribution Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON ZHEJIANG COMMUNICATIONS FINANCE

Zhejiang Communications Finance is a limited liability company established in the PRC on November 9, 2012 and approved by the former CBRC as a non-banking financial institution on October 17, 2012 with a registered capital of RMB2,000,000,000 as at the date of this announcement. As at the date of this announcement, Zhejiang Communications Finance is owned as to 40%, 35% and 25% by Communications Group, the Company and Ningbo Expressway Co, respectively, and Zhejiang Communications Finance is an associate of the Company.

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 Communications Group in relation to financing, letters of credit and other agency services; authorised insurance agency businesses; providing guarantees, accepting and discounting commercial notes, arranging for loans and financial leases, and receiving deposits of the subsidiaries of Communications Group.

According to the audited financial statements of Zhejiang Communications Finance, the total assets of Zhejiang Communications Finance as at December 31, 2018 were RMB35,320,232,311.51. Zhejiang Communications Finance recorded an operating revenue of RMB862,968,884.13 for the year ended December 31, 2018. Zhejiang Communications Finance recorded a net profit before tax of RMB429,116,503.25 and RMB582,539,726.80 and a net profit after tax of RMB321,329,831.60 and RMB436,663,626.93 for the years ended December 31, 2017 and 2018, respectively.

Upon completion of the Capital Contribution, the registered capital of Zhejiang Communications Finance will be increased from RMB2,000,000,000 to RMB3,000,000,000, and the shareholding percentage of the Company and the Existing Shareholders in Zhejiang Communications Finance will remain unchanged.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. As at the date of this announcement, Communications Group also directly and indirectly through Ningbo Expressway Co, holds approximately 65% of the issued share capital of Zhejiang Communications Finance. Therefore, Zhejiang Communications Finance, being a subsidiary of Communications Group, is a connected person of the Company and as a result, the Capital Contribution contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the Capital Contribution is higher than 0.1% but less than 5%, the Capital Contribution Agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Yu Zhihong, Mr. Dai Benmeng, Mr. Yu Qunli and Mr. Yu Ji, being Directors of the Company, are deemed to have material interests in the Capital Contribution under the Capital Contribution Agreement as they are currently also employed by the Communications Group and have abstained from voting on the relevant Board resolutions. Other than those Directors mentioned above, none of the Directors has any material interest in the Capital Contribution.

INFORMATION ON THE PARTIES

The Company is a joint stock company established under the laws of the PRC with limited liability on March 1, 1997, the H Shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in investing in, developing and operating high-grade roads in the PRC. The Group also carries on certain other businesses such as securities brokerage, investment banking, asset management, margin financing and securities lending through Zheshang Securities Co., Ltd.

Communications Group is a wholly state-owned enterprise established in the PRC on December 29, 2001 and is principally engaged in a diverse range of businesses, including investment, operations, maintenance, toll collection and ancillary services of expressways, construction and building of transportation project, ocean and coastal transport, as well as real estate.

Ningbo Expressway Co. is a limited liability company established in the PRC and an approximately 80.45% owned subsidiary of Communications Group and is principally engaged in the operation and management of the Ningbo section of the Ningbo-Taizhou-Wenzhou expressway.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Contribution”	the proposed capital contribution by the Company in the amount of RMB350,000,000, by way of cash, into the equity capital of Zhejiang Communications Finance pursuant to the Capital Contribution Agreement

“Capital Contribution Agreement”	the agreement dated August 9, 2019 entered into between the Company, Zhejiang Communications Finance and the Existing Shareholders in relation to the Capital Contribution
“CBIRC”	China Banking and Insurance Regulatory Commission of the PRC (中國銀行保險監督管理委員會), formerly known as CBRC
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Communications Group”	浙江省交通投資集團有限公司(Zhejiang Communications Investment Group Co., Ltd.*), 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 established in the PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	Communications Group and Ningbo Expressway Co, being the existing shareholders of Zhejiang Communications Finance other than the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

“Ningbo Expressway Co”	浙江寧波甬台溫高速公路有限公司 (Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd.*), a limited liability company established in the PRC on April 26, 2004 and an approximately 80.45% owned subsidiary of Communications Group
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Zhejiang Communications Finance”	浙江省交通投資集團財務有限責任公司 (Zhejiang Communications Investment Group Finance Co., Ltd.*), a limited liability company established in the PRC on November 9, 2012 and owned as to 40%, 35% and 25% by Communications Group, the Company and Ningbo Expressway Co, respectively, as at the date of this announcement
“%”	per cent

* For identifications only.

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

Hangzhou, the PRC, August 9, 2019

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