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**浙江滬杭甬高速公路股份有限公司**

**ZHEJIANG EXPRESSWAY CO., LTD.**

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

**(Stock code: 0576)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE PROPOSED ACQUISITION OF  
ENTIRE EQUITY INTEREST IN THE TARGET  
AND  
(2) PROPOSED MID-TERM NOTES ISSUE**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION**

On December 13, 2018 (after trading hours), the Company and Communications Group entered into the Equity Purchase Agreement, pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in the Target at a cash consideration of RMB2,943,000,000 (equivalent to approximately HK\$3,331,031,906.82).

As one or more of the applicable percentage ratios in respect of the Acquisition are over 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, 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. Therefore, Communications Group is a connected person of the Company and as a result, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(2) PROPOSED MID-TERM NOTES ISSUE**

On December 13, 2018, the Board has approved and resolved to submit to the Shareholders to consider, and if thought fit, to approve the offer and issuance of the Mid-term Notes of no more than RMB3,000,000,000 (equivalent to approximately HK\$3,395,547,305.63) for a term of no more than five years.

The Company will put forward, among others, ordinary resolutions to approve the Acquisition, and special resolutions to approve the proposed Mid-term Notes Issue at a general meeting to be convened by the Company for the Shareholders' consideration and approval.

In view of the interest of Communications Group in the Equity Purchase Agreement, Communications Group and its associates will abstain from voting at the general meeting to be convened by the Company to, among others, consider and approve the resolutions in relation to the Equity Purchase Agreement and the Acquisition.

The 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 Acquisition, and Octal Capital Limited has been appointed as the Company's independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable, whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group, whether the Acquisition is in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholders should vote in favour of the Acquisition.

A circular containing, among other things, (i) details of the Acquisition and the proposed Mid-term Notes Issue, (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Acquisition, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition, and (iv) the notice of general meeting, is expected to be dispatched to the Shareholders on or before January 8, 2019.

The Board is pleased to announce that on December 13, 2018 (after trading hours), the Company and Communications Group entered into the Equity Purchase Agreement, pursuant to which Communications Group conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in the Target at a cash consideration of RMB2,943,000,000 (equivalent to approximately HK\$3,331,031,906.82). Upon Completion, the Target will become a wholly owned subsidiary of the Company.

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

### **EQUITY PURCHASE AGREEMENT**

#### ***Date***

December 13, 2018 (after trading hours)

#### ***Parties***

Vendor: Communications Group

Purchaser: the Company

#### ***Assets to be acquired***

100% equity interest of the Target

### ***Consideration and payment terms***

The Consideration for the entire equity interest in the Target is RMB2,943,000,000 (equivalent to approximately HK\$3,331,031,906.82). 50% of the Consideration will be payable by the Company in cash within 10 business days after the effective date of the Equity Purchase Agreement and the remaining 50% of the Consideration will be payable by the Company in cash within 45 business days from the effective date of the Equity Purchase Agreement, subject to any adjustment as may be necessary. The Consideration will be funded by the Company's internal resources as well as debt financing.

### ***Consideration adjustment***

The Consideration was determined on the basis that (i) the toll collection rights period of the Huzhou and Lianhang sections of the Shenjiahuhang Expressway as finally approved was assumed to be 25 years (The Target will actively seek to obtain the approval of the aforementioned toll collection rights period from relevant governmental authorities prior to the general meeting to be convened by the Company for the purpose of the Acquisition.); and (ii) the 25-years toll collection rights period of the Zhoushan Bay Bridge has already been approved by the governmental authorities. The Consideration was also determined with reference to the Valuation Report which was based on, among others, the existing toll collection rates of the Huzhou and Lianhang sections of the Shenjiahuhang Expressway and the Zhoushan Bay Bridge.

In the event that the toll collection rights period of Huzhou and Lianhang sections of the Shenjiahuhang Expressway as finally approved is less than 25 years, or the actual toll collection right period of Huzhou and Lianhang sections of the Shenjiahuhang Expressway and the Zhoushan Bay Bridge is less than 25 years, the Company and Communications Group have agreed to enter into a supplemental agreement to adjust downward the Consideration with reference to the PRC Valuation Report. The Company and Communications Group have further agreed that the Consideration adjustment shall comply with relevant regulations in relation to the transfer of a PRC state-owned asset as well as the Listing Rules. In the event that the Consideration is so adjusted, the Company will comply in due course with the reporting, announcement and independent shareholders' approval requirements under the Listing Rules as may be applicable.

### ***Conditions precedent***

The Equity Purchase Agreement will become effective upon satisfaction of the following conditions:

- (i) approval of the Acquisition by the Target's sole shareholder having been obtained;
- (ii) approval of the Acquisition by the board of directors of the Communications Group having been obtained; and
- (iii) approval of the Acquisition by the Company's Independent Shareholders having been obtained.

As at the date of this announcement, the conditions under paragraphs (i) and (ii) above have been satisfied.

### **Completion**

Within 20 business days from the effective date of the Equity Purchase Agreement, the parties shall cooperate to apply with the relevant governmental authorities to alter the registration for industrial and commercial administration for Completion.

### **Basis of Consideration**

The Consideration under the Equity Purchase Agreement was determined based on arm's length negotiations between the Company and Communications Group. A number of factors were considered by the parties when determining the Consideration, including, among others, the Valuation Report prepared by Jones Lang LaSalle, as well as the PRC Valuation Report prepared by the PRC Domestic Valuer and commissioned by Communications Group pursuant to the requirements of Zhejiang SASAC and relevant PRC laws and regulations.

### **Principal assumptions for the income approach adopted for the Valuation Report**

The appraised value of the entire equity interest of the Target under the Valuation Report was prepared using the income approach, through the use of the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Therefore, this announcement is subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

As required under Rule 14.62(1) of the Listing Rules, details of the key assumptions used in determining the value of the entire equity interest in the Target upon which the Valuation Report was issued are set out below:

#### ***Basic assumptions***

- the projected business performances can be achieved with the effort of the managements of the Target;
- there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- the operational and contractual terms stipulated in the relevant contracts and agreements of the Target will be honored;
- copies of the operating licences and Company incorporation documents provided to Jones Lang LaSalle by the Target are reliable and legitimate;
- natural weather can have an impact on toll roads, including flooding and other types of inclement weather and no extended closure will occur to the toll roads managed by the Target;

- shareholder loan will be made to the Target when necessary; and
- there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported values. Furthermore, Jones Lang LaSalle assume no responsibility for changes in market conditions after the July 31, 2018.

Deloitte, acting as the reporting accountants of the Company, has performed an assurance engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the bases and assumptions. Deloitte reported that the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions.

The Financial Adviser confirms that it is satisfied that the valuation of the entire equity interest of the Target in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made by the Directors after due and careful enquiry.

A letter from Deloitte in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Financial Adviser in compliance with Rule 14.62(3) of the Listing Rules are included in the Appendices to this announcement.

As at the date of this announcement, neither Deloitte nor the Financial Adviser holds any shareholding in the Company or any of its subsidiaries, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Company or any of its subsidiaries.

To the best of the Directors’ knowledge, information and belief, both Deloitte and the Financial Adviser are Independent Third Parties.

Deloitte has consented to the inclusion of its independent assurance report on calculations of discounted future estimated cash flows in this announcement, and the references to its name in the form and context in which they are included. The Financial Adviser has consented to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it is included.

#### **Original cost of the 100% equity interest in the Target to Communications Group**

The original cost incurred by Communications Group for the 100% equity interest in the Target is approximately RMB1,720,000,000 (equivalent to approximately HK\$1,946,780,455.22)(being Communications Group’s capital contribution to the Target as at the date of the Equity Purchase Agreement).

## **INFORMATION ON THE TARGET**

The Target is a limited liability company established in the PRC on July 13, 2018. The Target and its subsidiaries are principally engaged in the toll collection rights of Huzhou and Lianhang sections of Shenjiahuhang Expressway and the operation and management of Zhoushan Bay Bridge. As of the date of this announcement, the Target is a wholly owned subsidiary of Communications Group and upon Completion, the Target will become a wholly owned subsidiary of the Company.

The Shenjiahuhang Expressway is divided into Huzhou section (S12) and Lianhang section (S13). 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 41.978 kilometers. The Lianhang section starts from Lianshi Town at Nanxun District, Huzhou City, and ends at Chongxian Town, Yuhang District for a total length of 50.938 kilometers. The Target acquired the toll collection rights of Huzhou section and Lianhang section of the Shenjiahuhang Expressway from the Communications Group on July 31, 2018.

Zhoushan Co is a limited liability company established in the PRC on 12 November 2004, and was owned as to 51% by Communications Group and 49% by other independent third parties since its establishment. On July 31, 2018, the Target acquired 51% equity interest in Zhoushan from Communications Group. As at the dated of this announcement, Zhoushan Co is owned as to 51% by the Target. Zhoushan Bay Bridge connects Ningbo and Zhoushan, along with the intermediary islands in between. It has total length of 46.3 kilometers and is designed as a two-way four-lane bridge with 100km/h speed limit. It has eight toll booths and was opened to traffic on February 6, 2010 with its toll collection right expiring in 2034.

As part of the reorganisation of the group of Communications Group, there is no change of control as a result of the acquisitions by the Target from Communications Group in respect of the entire ownership of the Shenjiahuhang Expressway and 51% equity interest in Zhoushan. Therefore, the Consideration was determined without reference to the considerations in the above acquisitions.

According to the unaudited combined pro forma financial information of the Target for the year ended December 31, 2016 and 2017 prepared with reference to generally accepted accounting principles in the PRC by the PRC statutory auditor of the Target, the net asset value of the Target as at December 31, 2017 was approximately RMB2,826,220,397.89 (equivalent to approximately HK\$3,198,855,019.06). A summary of the unaudited combined pro forma financial information of the Target for the financial years ended December 31, 2016 and 2017 is set out below:

|   | <b>As at December 31</b> |                    |
|---|--------------------------|--------------------|
|   | <b>2016</b>              | <b>2017</b>        |
|   | <i>approximate</i>       | <i>approximate</i> |
|   | <i>RMB</i>               | <i>RMB</i>         |
| Unaudited net profit/(loss) before taxation and extraordinary items | (250,083,312.92)         | (137,181,668.77)   |
| Unaudited net profit/(loss) after taxation and extraordinary items  | (250,083,312.92)         | (137,181,668.77)   |

The losses incurred by the Target for the year 2016 and 2017 were largely attributable to (i) high depreciation of its assets; (ii) heavy debt burden; and (iii) an expressway's traffic volume needs certain period of time to reach a stable level since its operation so the toll income was not sufficient to cover its assets' depreciation, financing costs and daily operating cost in that year.

### **Effect of the Acquisition**

Upon Completion, the Company will beneficially own the entire equity interest in the Target. As a result, the Target will become a wholly-owned subsidiary of the Company and the accounts of the Target will be consolidated into the accounts of the Company.

### **TRANSACTIONS BETWEEN THE TARGET AND CONNECTED PERSONS OF THE COMPANY AFTER COMPLETION**

Upon Completion, the Target will become a wholly owned subsidiary of the Company. As a result, should the Target enter into any new transactions or continue any existing transactions with the connected persons of the Company after Completion, such transactions would constitute connected transactions or continuing connected transactions for the Company upon and following Completion.

### **Partially-exempt Continuing Connected Transaction**

As at the date of this announcement, Zhejiang HNAL Co, an associate of the Communications Group, intends to enter into a construction agreement (the "**Construction Agreement**") with Zhoushan Co prior to Completion for the construction of connecting flyovers of Jintang Bridge for the Zhoushan Islands Link Project (舟山連島工程). Upon Completion, Zhoushan Co will become a subsidiary of the Company, therefore the Construction Agreement will constitute a continuing connected transaction

of the Company. The transactions contemplated under the Construction Agreement will continue after Completion. Details of the Construction Agreement are set out as below:

- Parties:** Zhoushan Co  
Zhejiang HNAL Co, an associate of the Communications Group
- Terms:** Four years
- Provision of services:** construction work in relation to the connecting flyovers of Jintang Bridge for the Zhoushan Islands Link Project (舟山連島工程), which was part of the Hangzhou-Ningbo Expressway Alternative Line Ningbo Section Phase I Project (the “**Ningbo Section Project**”).
- Service fees:** Not exceeding RMB346,890,000 (equivalent to approximately HK\$392,627,134.95) (the “**Service Fees**”) payable by Zhoushan Co to Zhejiang HNAL Co as follows:
- (i) the amount of RMB34,689,000 (equivalent to approximately HK\$39,262,713.50), being 10% of the Service Fees, shall be paid within 30 days from signing of the Construction Agreement;
  - (ii) the amount of RMB104,067,000 (equivalent to approximately HK\$117,788,140.49), being 30% of the Service Fees, shall be paid before 30 June of the second construction year of the Ningbo Section Project;
  - (iii) the amount of RMB104,067,000 (equivalent to approximately HK\$117,788,140.49), being 30% of the Service Fees, shall be paid before 30 June of the third construction year of the Ningbo Section Project; and
  - (iv) the amount of RMB104,067,000 (equivalent to approximately HK\$117,788,140.49), being 30% of the Service Fees, shall be paid before 30 June of the fourth construction year of the Ningbo Section Project.

|   |  |
|---|--|
| <b>Basis of the Service Fees:</b>                   | Zhejiang HNAL Co participated in a public tender in respect of the construction services for the Ningbo Section Project and won the tender. The amount of Services Fees was determined based on arm's length negotiations between parties prior to entering the Equity Purchase Agreement. The Valuation Report has included the Construction Agreement as one of the factors for the determination of the Consideration. In addition, parties to the Construction Agreement plan to enter into the Construction Agreement prior to the Completion.  |
| <b>Reasons for and benefits of the transaction:</b> | The parties intend to enter into the Construction Agreement prior to the Completion, which is necessary as part of the Ningbo Section Project.   |
| <b>Information of Zhejiang HNAL Co:</b>             | Zhejiang HNAL Co is a company established in the PRC and owned as to 33.87% by the Communications Group. Zhejiang HNAL Co is principally engaged in the investment, construction, operation, maintenance and management of expressway projects.  |
| <b>Listing Rules implications:</b>                  | <p>Zhejiang HNAL Co is an associate of the Communications Group. Therefore, Zhejiang HNAL Co is a connected person of the Company and entering into the Construction Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.</p> <p>As the highest of all applicable percentage ratios for the transactions contemplated under the Construction Agreement, are more than 0.1% but less than 5%, the Construction Agreement shall be subject to the reporting, announcement and annual review requirements, but exempt from Independent Shareholders' approval under the Listing Rules.</p> |

The parties intend to enter into the Construction Agreement prior to the Completion and the Construction Agreement shall remain valid and effective after Completion. None of the Directors will be involved in approving the signing of the Construction Agreement. On the basis that (i) Zhejiang HNAL Co won the tender for the Ningbo Section Project; and (ii) services provided under the Construction Agreement are necessary as part of the Ningbo Section Project, the Directors (including the independent non-executive Directors) are of the view that the terms of the Construction Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Exempt Continuing Connected Transactions**

As at the date of this announcement, the Target intends to enter into the following agreements with Zhejiang Communications Investment. Upon Completion, each of the following agreements will constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. It is expected that the highest applicable percentage ratio under the Listing Rules for each of the following agreements is less than 0.1%, so each of them will be exempted from the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### *1. Service Area Operation Lease Agreements*

The Target will enter into a service area operation lease agreement with Zhejiang Communications Investment, pursuant to which the Target will agree to lease to Zhejiang Communications Investment the operation rights in relation to petrol station services, catering services, supermarket services and vehicle repair services in the service area of the Shenjiahuhang Expressway. The term of this agreement will be the same as the remaining toll collection right period of the Target. It is expected that the annual fee payable by Zhejiang Communications Investment to the Target in respect of the lease of the operation rights will be RMB3,300,000 (equivalent to approximately HK\$3,735,102.04) consisting of RMB800,000 (equivalent to approximately HK\$905,479.28) for property rental and RMB2,500,000 (equivalent to approximately HK\$2,829,622.75) for the operation rights which will be reviewed in every five years. The property rental will increase by 5% every five years and the fees payable for the operation rights will increase by RMB100,000 (equivalent to approximately HK\$113,184.91) every five years both based on the starting amount upon signing of this agreement up until the end of this agreement.

Zhoushan Co will enter into a service area operation lease agreement with Zhejiang Communications Investment, pursuant to which Zhoushan Co will agree to lease to Zhejiang Communications Investment the operation rights in relation to petrol station services, catering services, supermarket services and vehicle repair services in the service area of the Zhoushan Bay Bridge. The term of this agreement will be the same as the remaining toll collection right period of the Target. It is expected that the annual fee payable by Zhejiang Communications Investment to Zhoushan Co in respect of the lease of the operation rights will be RMB2,300,000 (equivalent to approximately HK\$2,603,252.93) consisting of RMB400,000 (equivalent to approximately HK\$452,739.64) for property rental and RMB1,900,000 (equivalent to approximately HK\$2,150,513.29) for the operation rights which will be reviewed in every five years. The property rental will increase by 5% every five years and the fees payable for the operation rights will increase by RMB100,000 (equivalent to approximately HK\$113,184.91) every five years both based on the starting amount upon signing of this agreement up until the end of this agreement.

2. *Service Area Utilities Services Agreements*

The Target will enter into a service area utilities services agreement with Zhejiang Communications Investment, pursuant to which the Target will engage Zhejiang Communications Investment to manage utilities facilities and provide utilities services in the service area of Shenjiahuhang Expressway such as washroom, lounge area, safety, cleaning services and utilities system maintenance. The term of this agreement will be the same as the term of the service area operation lease agreement entered into between the parties. It is expected that the annual fee payable by the Target to Zhejiang Communications Investment for the services provided under this agreement will be RMB2,200,000 (equivalent to approximately HK\$2,490,068.02).

Zhoushan Co will enter into a service area utilities services agreement with Zhejiang Communications Investment, pursuant to which Zhoushan Co will engage Zhejiang Communications Investment to manage utilities facilities and provide utilities services in the service area of Zhoushan Bay Bridge such as washroom, lounge area, safety, cleaning services and utilities system maintenance. The term of this agreement will be the same as the term of the service area operation lease agreements entered into between the parties. It is expected that the annual fee payable by Zhoushan Co to Zhejiang Communications Investment for the services provided under this agreement will be RMB1,000,000 (equivalent to approximately HK\$1,131,849.10).

The considerations for the above transaction between the Target and its subsidiaries and the connected persons of the Company were determined based on parties' arm's length negotiation prior to entering the Equity Purchase Agreement. The above transactions have been taken into consideration for the purpose of the Valuation Report as basis of the Consideration. Parties to the above transactions plan to enter into relevant agreements prior to the Completion. Further announcements will be made by the Company (if required) as and when appropriate in accordance with all applicable requirements of the Listing Rules.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Upon Completion, the total length of expressways operated by the Company will increase from approximately 663 km to approximately 803 km. The main businesses of the Company will be enhanced through the Acquisition which help to increase the market share and competitive strength of the Company in Zhejiang Province. The Directors believe that the Acquisition will facilitate the Company to better utilise its experience and advantages in toll operation and to complement the Company's existing network of expressways, and are in line with the Company's development strategy.

The terms of the Equity Purchase Agreement were arrived at after arm's length negotiations between the Company and Communications Group, and are on normal commercial terms or better, taking into account various factors and with reference to the Valuation Report and the PRC Valuation Report.

The Board is fully aware of its fiduciary duties in assessing the merits of the terms of the Equity Purchase Agreement and due procedures have been and will be followed. Mr. YU Zhihong, being the Chairman and an executive Director, and Mr. DAI Benmeng, Mr. YU Qunli and Mr. YU Ji, being non-executive Directors, who are also the director or executive members of the Communications Group, had abstained from voting on the Board resolution passed to approve the Acquisition. The Directors (excluding the members of the Independent Board Committee, whose opinion will be set out in the Circular after taking into account the independent financial adviser's advice to be set out in the Circular) consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION ON THE COMPANY AND COMMUNICATIONS GROUP**

The Company is a joint stock company established in the PRC 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 is also engaged in the expressway related development and operation, as well as securities business.

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.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition are over 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, 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. Therefore, Communications Group is a connected person of the Company and as a result, the Acquisition constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **PROPOSED MID-TERM NOTES ISSUE**

On December 13, 2018, the Board has approved and resolved to submit to the Shareholders to consider, and if thought fit, to approve the offer and issuance of the Mid-term Notes. Pursuant to the relevant laws and regulations of the PRC and the Articles of Association of the Company, the offer and issuance of the Mid-term Notes is subject to the approval of the Shareholders at general meeting and approval by the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會). The principal terms of the proposed Mid-term Notes Issue are set out below:

|                         |  |
|-------------------------|--|
| <b>Issue size:</b>      | no more than RMB3,000,000,000 (equivalent to approximately HK\$3,395,547,305.63)   |
| <b>Term:</b>            | according to the prevailing market circumstances as normally no more than five years from the date of issue                |
| <b>Manner of issue:</b> | one-time registration with the relevant authorities. The Mid-term Notes will be issued in one tranche or tranches          |
| <b>Interest rate:</b>   | prevailing market rate of mid-term notes of similar maturity   |
| <b>Use of Proceeds:</b> | equity acquisition, project investment and repayment of borrowings of the Group and replenish working capital of the Group |

It is proposed that the general manager of the Company will be authorised from the date when the special resolutions relating the Mid-term Notes Issue are approved by the Shareholders, to determine in her absolute discretion and deal with matters in relation to the Mid-term Notes Issue, including but not limited to the following:

- (a) to determine, to the extent permitted by laws and regulations and according to the Company's specific circumstances and the prevailing market conditions, the specific terms and arrangements of the Mid-term Note Issue and make any changes and adjustments to such types and terms of the Mid-term Notes Issue, including but not limited to, the types of issue, time of issue, manner of issue, size of issue, issue price, term of maturity, interest rates, tranches and any other matters in relation to the Mid-term Notes Issue;
- (b) to appoint the relevant intermediaries in connection with the Mid-term Notes Issue and to deal with filing and submission matters;
- (c) to enter into agreements, contracts and other legal documents relating to the Mid-term Notes Issue, and to disclose relevant information in accordance with the applicable laws and regulations; and
- (d) to deal with any other the matters in relation to the Mid-term Notes Issue.

#### **REASONS FOR AND BENEFITS OF THE MID-TERM NOTES ISSUE**

The Directors are of the view that the proposed Mid-term Notes Issue will enable the Company to fully utilize the financing channels available on the capital market, help improve the Company's financing structure, reduce its cost of capital and lower its finance costs. On these bases, the Directors are of the view that the proposed the Mid-term Notes Issue is in the interests of the Company and the Shareholders as a whole.

#### **GENERAL**

The Company will put forward, among others, ordinary resolutions to approve the Acquisition and special resolutions to approve the proposed Mid-term Notes Issue at a general meeting to be convened by the Company for the Shareholders' consideration and approval.

In view of the interest of Communications Group in the Equity Purchase Agreement, Communications Group and its associates will abstain from voting at the general meeting to be convened by the Company to, among others, consider and approve the resolution in relation to the Equity Purchase Agreement and the Acquisition.

The 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 the Acquisition, and Octal Capital Limited has been appointed as the Company's independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable, whether the Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group, whether the Acquisition is in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholder should vote in favour of the Acquisition.

A circular containing, among other things, (i) details of the Acquisition and the proposed Mid-term Notes Issue, (ii) a letter from the Independent Board Committee to the Independent Shareholders regarding the Acquisition, (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition, and (iv) the notice of general meeting, is expected to be dispatched to the Shareholders on or before January 8, 2018.

## **DEFINITIONS**

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

|                        |   |
|------------------------|---|
| “Acquisition”          | the proposed acquisition of 100% equity interest in the Target by the Company from Communications Group pursuant to the Equity Purchase Agreement   |
| “associate(s)”         | has the meaning ascribed to it under the Listing Rules  |
| “Board”                | the board of Directors of the Company   |
| “business day”         | any day other than a Saturday or Sunday or a public holiday in the PRC, on which banks are generally open for business in the PRC   |
| “Circular”             | the circular to be issued to the Shareholders in connection with the Acquisition and the proposed Mid-term Notes Issue and a general meeting to be convened by the Company in accordance with the Listing Rules |
| “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 on December 29, 2001 and the controlling shareholder of the Company                 |

|                             |   |
|-----------------------------|---|
| “Company”                   | Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company established in the PRC on March 1, 1997, whose shares are listed on the main board of the Stock Exchange   |
| “Completion”                | completion of the Acquisition pursuant to the Equity Purchase Agreement   |
| “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  |
| “Consideration”             | the total consideration of RMB2,943,000,000 (equivalent to approximately HK\$3,331,031,906.82) payable by the Company to Communications Group in accordance with the Equity Purchase Agreement  |
| “Deloitte”                  | Deloitte Touche Tohmatsu, the auditors of the Company   |
| “Director(s)”               | the director(s) of the Company  |
| “Equity Purchase Agreement” | the equity purchase agreement dated December 13, 2018 entered into between the Company and Communications Group in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase from Communications Group the entire equity interest in the Target |
| “Financial Adviser”         | China International Capital Corporation Hong Kong Securities Limited, the financial adviser of the Company  |
| “Group”                     | the Company and its subsidiaries  |
| “H Shares”                  | the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997  |
| “HK\$”                      | Hong Kong dollars, the lawful currency of Hong Kong   |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC  |

|                               |   |
|-------------------------------|---|
| “Independent Board Committee” | an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, and Mr. CHEN Bin  |
| “Independent Shareholders”    | Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Acquisition at a general meeting to be convened by the Company for such purpose, means the Shareholders other than Communications Group and its associates |
| “Independent Third Party”     | a party independent and not connected with the Company, any of its subsidiaries or any of their respective directors or substantial shareholders  |
| “Jones Lang LaSalle”          | Jones Lang LaSalle Corporate and Appraisal Advisory Limited, an independent valuer appointed by the Company   |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time   |
| “Mid-term Notes”              | the mid-term notes of no more than RMB3,000,000,000 (equivalent to approximately HK\$3,395,547,305.63) proposed to be issued by the Company   |
| “Mid-term Notes Issue”        | the offer and issuance of the Mid-term Notes  |
| “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 Macao Special Administrative Region of the PRC and Taiwan  |
| “PRC Domestic valuer”         | Tianyuan Appraisal Co., Ltd.* (天源資產評估有限公司), a PRC qualified domestic valuer appointed by Communications Group   |

|                                      |   |
|--------------------------------------|---|
| “PRC Valuation Report”               | the valuation report dated November 30, 2018 prepared by the PRC Domestic Valuer and commissioned by Communications Group in respect of the Target  |
| “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  |
| “substantial shareholder(s)”         | has the meaning ascribed to it under the Listing Rules  |
| “Target”                             | Zhejiang Shenjiahuhang Expressway Co., Ltd.* (浙江申嘉湖杭高速公路有限公司), a limited company established in the PRC and a wholly owned subsidiary of Communications Group as at the date of this announcement   |
| “Valuation Report”                   | the valuation report dated November 30, 2018 prepared by Jones Lang LaSalle and commissioned by the Company in relation to the Target   |
| “Zhejiang SASAC”                     | State-owned Assets Supervision and Administration Commission of the People’s Government of Zhejiang Province of the PRC* (中國浙江省人民政府國有資產監督管理委員會)   |
| “Zhejiang Communications Investment” | Zhejiang Communications Investment Group Industrial Development Co., Ltd.*(浙江省交通投資集團實業發展有限公司) a company established in the PRC and a wholly-owned subsidiary of Communications Group  |
| “Zhejiang HNAL Co”                   | Zhejiang Hangzhou-Ningbo Alternative Line Phase I Expressway Co., Ltd.*(浙江杭甬複綫寧波一期高速公路有限公司), a limited liability company established in the PRC on September 14, 2017, owned as to 33.87% by the Communications Group and thus an associate of Communications Group |

“Zhoushan Co”

Zhejiang Zhoushan Bay Bridge Co., Ltd.\* (浙江舟山跨海大橋有限公司), a limited liability company established in the PRC on November 12, 2004, owned as to 51% by the Target as at the date of this announcement and 49% by other independent third parties

“%”

per cent

\* *English names for reference only.*

In this announcement, the translation of RMB into HK\$ is based on the exchange rate of HK\$1 to RMB0.88351. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other exchange rate or at all.

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

Hangzhou, the PRC, December 13, 2018

*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.*

In compliance with Rule 14.60A of the Listing Rules, the text of each of the letters from Deloitte to the Directors confirming it has examined the calculations of the discounted future estimated cash flows for the Valuation Report, and the letter from the Financial Adviser confirming that they are satisfied that the Valuation Report has been made by the Directors after due and careful enquiry, both dated December 13, 2018, for the purpose of, among others, inclusion in this announcement are reproduced below:

## APPENDIX I – LETTER FROM DELOITTE

**Deloitte.**

德勤

### INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN ZHEJIANG SHENJIAHUHANG EXPRESSWAY CO., LTD. (THE “TARGET”)

#### TO THE DIRECTORS OF ZHEJIANG EXPRESSWAY CO., LTD. (THE “COMPANY”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited dated November 30, 2018, of the entire equity interest in the Target as at July 31, 2018 (the “**Valuation**”) is based. The Target is a company established in the People’s Republic of China. The Target and its subsidiaries are principally engaged in the toll collection rights of Huzhou and Lianhang sections of Shenjiahuhang Expressway and the operation and management of Zhoushan Bay Bridge. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement dated December 13, 2018 to be issued by the Company in connection with the discloseable and connected transaction in relation to the proposed acquisition of the entire equity interest in the Target (the “**Announcement**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in “Principal assumptions for the income approach adopted for the Valuation Report” section of the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

## **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **Reporting Accountants’ Responsibility**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

**Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

December 13, 2018

## APPENDIX II – LETTER FROM THE FINANCIAL ADVISER



**China International Capital Corporation**  
**Hong Kong Securities Limited**  
29th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

The Board of Directors  
**Zhejiang Expressway Co., Ltd.**  
5th Floor, No. 2 Mingzhu International Business Center,  
199 Wuxing Road, Hangzhou,  
Zhejiang 310020, the PRC

December 13, 2018

Dear Sirs,

We refer to the announcement of Zhejiang Expressway Co., Ltd. (the “**Company**”) dated December 13, 2018 in relation to the proposed acquisition of 100% equity interest in Zhejiang Shenjiahuhang Expressway Co., Ltd. (the “**Target**”) (the “**Announcement**”) and also the asset valuation report dated November 30, 2018 prepared by Jones Lang LaSalle Corporate and Appraisal Advisory Limited, being the independent valuer of the Company (the “**Independent Valuer**”), in respect of the valuation of the Target (the “**Valuation Report**”). We understand that the Independent Valuer has prepared the Valuation Report based on the discounted cash flow method, which is regarded as profit forecast (the “**Forecast**”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). Unless otherwise defined or if the context otherwise requires, all terms defined in the Announcement shall have the same meaning when used in this letter.

We have reviewed the Forecast included in the Valuation Report, for which you as the Directors are solely responsible. We have attended discussions involving the management of the Company, the management of the Target and the Independent Valuer where the historical performance of the Target, the calculations of the Forecast, the qualifications of the Independent Valuer, and the valuation method and bases and assumptions upon which the Forecast has been made set out in the Valuation Report have been fully discussed. We have also considered the report addressed solely to and for the sole benefit of the Directors from Deloitte Touche Tohmatsu dated December 13, 2018 set out in the announcement of the Company dated December 13, 2018 regarding calculation of discounted future estimated cash flow on which the Forecast is based. The Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Target may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Independent Valuer, for which the Independent Valuer and the Company are responsible, we are satisfied that the Forecast included in the Valuation Report, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Hong Kong Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,

For and on behalf of

**China International Capital Corporation Hong Kong Securities Limited**

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Name: Barry Chan

Title: Managing Director

Head of Investment Banking, Hong Kong