
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



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) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT WITH
ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.**
**(2) PROPOSED GENERAL MANDATE TO
ISSUE H SHARES
AND
(3) NOTICE OF 2018 ANNUAL GENERAL MEETING**

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



A letter from the Board is set out on pages 5 to 13 of this Circular.

A letter from the Independent Board Committee is set out on page 14 of this Circular.

A letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 28 of this Circular.

A notice for convening the 2018 annual general meeting (the "AGM") of the Company to be held at 10 a.m. on May 31, 2019 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, People's Republic of China is set out on pages II-1 to II-4 of this Circular.

A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form should be lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

April 15, 2019

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DEFINITIONS

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

“%”	per cent.
“AGM”	the 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, the notice of which is set out on pages II-1 to II-4 of this Circular
“annual cap(s)”	has the meaning ascribed to it under Rule 14A.53 of the Listing Rules
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會) of the PRC
“Circular”	this Circular to the Shareholders
“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

DEFINITIONS

“continuing connected transaction”	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
“H Shares”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1 per share, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Pei Ker-Wei, Ms. Lee Wai Tsang, Rosa and Mr. Chen Bin
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Revised Annual Caps
“Independent Shareholders”	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Revised Annual Caps at the AGM, means the Shareholders other than Communications Group and its associates
“Independent Third Party”	a party independent of and not connected with the Company, any of its subsidiaries or any of their respective Directors or substantial shareholders
“Latest Practicable Date”	April 8, 2019, being the latest practicable date for ascertaining certain information contained in this Circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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
“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
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China (for the purpose of this Circular, 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 for the Deposit Services under the New Financial Services Agreement 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

DEFINITIONS

“Revised Credit Line”	The amount of credit line for the Loan Services granted by Zhejiang Communications Finance will be revised from not less than RMB1.5 billion to not less than RMB2.5 billion
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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

LETTER FROM THE BOARD



浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

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

Chairman of the Company

Mr. Yu Zhihong

Executive Directors:

Mr. Cheng Tao

Ms. Luo Jianhu

Non-executive Directors:

Mr. Dai Benmeng

Mr. Yu Qunli

Mr. Yu Ji

Independent Non-executive Directors:

Mr. Pei Ker-Wei

Ms. Lee Wai Tsang, Rosa

Mr. Chen Bin

Registered Address:

12/F, Block A, Dragon Century Plaza 1
Hangda Road

Hangzhou City, Zhejiang 310007

People's Republic of China

April 15, 2019

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF ANNUAL CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE NEW FINANCIAL SERVICES AGREEMENT WITH
ZHEJIANG COMMUNICATIONS INVESTMENT GROUP FINANCE CO., LTD.
(2) PROPOSED GENERAL MANDATE TO
ISSUE H SHARES
AND
(3) NOTICE OF 2018 ANNUAL GENERAL MEETING**

1. INTRODUCTION

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

LETTER FROM THE BOARD

2. Continuing connected transactions in relation to the New Financial Services Agreement

Reference is made to the announcement of the Company dated March 18, 2019 relating to (i) the New Financial Services Agreement for the purpose of renewal of the Previous Financial Services Agreement and (ii) the Supplemental Agreement entered into between the Company and Zhejiang Communications Finance.

As at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, Zhejiang Communications Finance is owned as to 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 constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

It is currently expected by the Company that the existing annual caps for the Deposit Services under the New Financial Services Agreement, being RMB0.1 billion less than the previous annual caps for the Deposit Services under the Previous Financial Services Agreement, will be insufficient to satisfy the Group's future needs. As such, on March 18, 2019, the Company entered into the Supplemental Agreement, among other things, with the intention to increase the existing annual caps for the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022 for the Deposit Services under the New Financial Services Agreement.

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

The purpose of this Circular is to provide, among other things, further information about the Revised Annual Caps, letters from the Independent Board Committee and the Independent Financial Adviser, a notice of AGM and other information as required under the Listing Rules.

LETTER FROM THE BOARD

3. CONTINUING CONNECTED TRANSACTIONS

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

Date	:	March 18, 2019
Parties	:	(1) The Company (2) Zhejiang Communications Finance
Amendments to the original terms in the New Financial Services Agreement	:	(i) The maximum daily aggregate outstanding balance of the Deposit Services will be revised from RMB1.4 billion to RMB2.5 billion; and (ii) The amount of credit line for the Loan Services granted by Zhejiang Communications Finance will be revised from not less than RMB1.5 billion to not less than RMB2.5 billion
Condition precedent	:	The effectiveness of the Supplemental Agreement is conditional upon the Board and the Independent Shareholders' approval of the Revised Annual Caps

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.

4. PROPOSED REVISED ANNUAL CAPS

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

	Year ended December 31, 2016 (RMB'000) (audited)	Year ended December 31, 2017 (RMB'000) (audited)	Year ended December 31, 2018 (RMB'000) (audited)	Two months ended February 28, 2019 (RMB'000) (unaudited)
Maximum daily aggregate outstanding balance of deposit	1,379,066	1,301,639	1,485,380	1,218,730

LETTER FROM THE BOARD

It is currently expected that the existing annual caps for the Deposit Services under the New Financial Services Agreement, being RMB0.1 billion less than the previous annual caps for the Deposit Services under the Previous Financial Services Agreement, will be insufficient to satisfy the Group's future needs. As such, the Company proposes to increase the existing annual caps for the maximum daily aggregate outstanding balance of deposits (including any interest accrued thereon) as follows:

	Year ending December 31, 2019 (RMB'000)	Year ending December 31, 2020 (RMB'000)	Year ending December 31, 2021 (RMB'000)	Period from January 1, 2022 to March 29, 2022 (RMB'000)
Existing annual caps for maximum daily aggregate outstanding balance of deposit	1,400,000	1,400,000	1,400,000	1,400,000
Revised Annual Caps for maximum daily aggregate outstanding balance of deposit	2,500,000	2,500,000	2,500,000	2,500,000

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

- (i) 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 "**Acquisition**"). 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
- (ii) 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.

* for identification purpose only

LETTER FROM THE BOARD

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

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 Latest Practicable Date, the transaction amount of the continuing connected transactions under the New Financial Services Agreement has not exceeded the existing annual caps.

LETTER FROM THE BOARD

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

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

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

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

In addition, deposit with centralized funds is also beneficial for the Company to obtain a better loan interest rate. 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.

LETTER FROM THE BOARD

As mentioned in the paragraph headed “4. Proposed Revised Annual Caps”, the maximum daily aggregate balances of deposit 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 (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on page 14 of this Circular) consider that the continuing connected transactions contemplated under the New Financial Services Agreement are fair and reasonable and on normal commercial terms in the ordinary course of business of the Company, and are in the interests of the Company and the Shareholders as a whole, and that the Revised Annual Caps are fair and reasonable.

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 Revised Annual Caps was considered and approved.

6. INFORMATION ON ZHEJIANG COMMUNICATIONS FINANCE

Zhejiang Communications Finance is a limited liability company incorporated in the PRC on November 9, 2012 and approved by CBRC as a non-banking financial institution on October 17, 2012 with a current registered capital of RMB2 billion. As at the Latest Practicable Date, 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.

7. INFORMATION ON THE COMPANY

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

LETTER FROM THE BOARD

8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a substantial shareholder (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, 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, given that the relevant applicable percentage ratios (other than the profits ratio) in respect of the Revised Annual Caps are more than 5%, such transactions are subject to the reporting, announcement, 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.

Communications Group and its associates will abstain from voting on the resolution in respect of the Revised Annual Caps at the AGM.

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

9. PROPOSED GENERAL MANDATE TO ISSUE H SHARES

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

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

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

LETTER FROM THE BOARD

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

10. DECLARATION OF DIVIDEND

The Directors have resolved to recommend a dividend of RMB37.5 cents per share in respect of the year ended December 31, 2018.

11. THE AGM

You will find on pages II-1 to II-4 of this Circular a notice of the AGM to be held at 10 a.m. on May 31, 2019 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, People's Republic of China.

A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM (or any adjournment thereof). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

12. OTHER INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information set out in the appendices to this Circular and the notice of the AGM.

Yours faithfully,
For and on behalf of
Zhejiang Expressway Co., Ltd.
Yu Zhihong
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

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

April 15, 2019

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated April 15, 2019 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you as to the fairness and reasonableness of the Revised Annual Caps and whether the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole. Octal Capital Limited (the “**Independent Financial Adviser**”) has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the recommendations from the Independent Financial Adviser are set out in its letter of advice on pages 15 to 28 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 13 of the Circular and the additional information set out in the appendices to the Circular.

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

Yours faithfully,

Independent Board Committee

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

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

Mr. Chen Bin
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

April 15, 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Agreement, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated April 15, 2019 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

On March 18, 2019, the Company renewed its Previous Financial Services Agreement with Zhejiang Communications Finance with the New Financial Services Agreement, pursuant to which Zhejiang Communications Finance will provide various financial services to the Company. The term of the New Financial Services Agreement will commence on March 30, 2019 and will end on March 29, 2022, subject to renewal through mutual consents by the parties.

On March 18, 2019, the Company entered into the Supplemental Agreement regarding the revision of (i) the existing annual caps in respect of the maximum daily deposit balance placed by the Group with Zhejiang Communications Finance from RMB1,400.0 million to RMB2,500.0 million; and (ii) the facility amount of the financial loan services provided by Zhejiang Communications Finance from not less than RMB1,500.0 million to not less than RMB2,500 million, for each of the year ending December 31, 2019, 2020, and 2021, and the period from January 1, 2022 to March 29, 2022. Save and except for the Revised Annual Caps and Loan Services, all other terms and conditions under the New Financial Services Agreement shall remain effective and unchanged. As the Loan Services constitutes receipt of financial assistance by the Group and it is not secured by the assets of the Group, the continuing connected transaction related to the Loan Services are exempted from reporting, announcement and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Revised Annual Caps was considered and approved.

As at the Latest Practicable Date, the Company was owned as to approximately 67% by Communications Group. Accordingly, Communications Group is the controlling shareholder of the Company. As at the Latest Practicable Date, the Company, Communications Group and Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. beneficially owned 35%, 40% and 25% of the issued share capital of Zhejiang Communications Finance respectively. Therefore, Zhejiang Communications Finance is a connected person of the Company.

As such, the New Financial Services Agreement and accordingly, the Supplemental Agreement, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Deposit Services under the Supplemental Agreement exceeds 5% but less than 25%, such transactions are subject to, among other things, the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Pei Ker-Wei, Ms. Lee Wai Tsang, Rosa, and Mr. Chen Bin, has been established to advise the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder. We, Octal Capital Limited, have been appointed as the Independent Financial Adviser is to provide independent opinion and recommendation to the Independent Board Committee and the Independent Shareholders on whether the terms of the Supplemental Agreement and the Revised Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, and whether the entering into of the Supplemental Agreement and the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group.

As at the Latest Practicable Date, we were not connected with the Company or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged by the Company as the independent financial adviser in respect of a discloseable and connected transaction in relation to the acquisition of Zhejiang Shenjiahuhang Expressway Co., Ltd. (details of which can be referred to the circular of the Company dated January 15, 2019). Under such appointment, we were required to express our opinion on and give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the connected transaction. Apart from normal professional fees paid or payable to us in connection with the appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, Zhejiang Communications Finance, the Communications Group, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Group and Zhejiang Communications Finance

(i) Information of the Group

The Company is a joint stock company 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 investment, development, and operation of high-grade roads in the PRC. The Company and its subsidiaries (the “**Group**”) are engaged in the expressway related development and operation, as well as securities business.

Set out below are the financial information of the Company for the two years ended December 31, 2017 and 2018 extracted from the annual results announcement of the Company for the year ended December 31, 2018 (the “**2018 Annual Results Announcement**”) published on March 18, 2019.

	For the year ended December 31, 2017 <i>RMB million</i> (audited)	For the year ended December 31, 2018 <i>RMB million</i> (audited)	Change from 2017 to 2018 %
Revenue	9,626.3	9,568.3	(0.60)
Profit after taxation	3,991.0	3,992.3	0.03
Profit attributable to Shareholders of the Company	3,202.1	3,480.5	8.69

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As illustrated in the above table, the revenue of the Group for the year ended December 31, 2018 (“FY2018”) was approximately RMB9,568.3 million, representing a decrease of approximately 0.60% as compared to the revenue for the year ended 31 December 2017 (“FY2017”), which was approximately RMB9,626.3 million. However, the profit after taxation and profit attributable to Shareholders of the Company for FY2018 both increased by approximately 0.03% and 8.69% respectively as compared to FY2017, they amounted to approximately RMB3,992.3 million and RMB3,480.5 million for FY2018 respectively.

	As at December 31, 2017	As at December 31, 2018	Change from 2017 to 2018
	<i>RMB million</i>	<i>RMB million</i>	%
	(audited)	(audited)	
Cash and cash equivalents	5,588.8	6,477.7	15.91
Trade receivables	244.6	216.2	(11.59)
	5,833.4	6,693.9	14.75
Total	5,833.4	6,693.9	14.75

As at December 31, 2018, the Company recorded (i) cash and cash equivalents of approximately RMB6,477.7 million, representing an increase of approximately 15.91% as compared to that at December 31, 2017, which was approximately RMB5,588.8 million; and (ii) trade receivables of approximately RMB216.2 million, representing a decrease of approximately 11.59% as compared to that at December 31, 2017, which was approximately RMB244.6 million. Aggregating both items, they amounted to approximately RMB6,693.9 million as at December 31, 2018, representing an increase of approximately 14.75% as compared to that at December 31, 2017.

(ii) Information of Zhejiang Communications Finance

Zhejiang Communications Finance is a limited liability company incorporated in the PRC on November 9, 2012 and approved by the CBRC as a non-banking financial institution on 17 October 2012 with a current registered capital of RMB2,000 million. As at the Latest Practicable Date, 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 Communication Group, including, but not limited to, deposit services, loan and financing services, clearing services, and other financial services, as well as advising the subsidiaries of the Communications Group in relation to financing, obtaining letters of credit and other agency services, providing guarantees, accepting and discounting commercial notes, arranging for loans and financial leases, and receiving deposits from the subsidiaries of the Communications Group.

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From the information provided by the Company, Zhejiang Communications Finance recorded total revenue of approximately RMB863.0 million, net interest income of approximately RMB782.1 million and net profit of approximately RMB436.7 million for the year ended December 31, 2018. As at December 31, 2018, Zhejiang Communications Finance recorded net asset value of approximately RMB2,898.4 million. Zhejiang Communications Finance has also complied with the capital ratios requirements in accordance with the regulatory requirement as at December 31, 2018.

Up to the Latest Practicable Date, the management of the Company has confirmed that Zhejiang Communications Finance has not had any non-compliance incidents relating to the rules and regulations imposed by the PBOC and CBRC. As such, the Company believes that Zhejiang Communications Finance has a good standing in terms of its risk profile as compared to other independent licensed commercial banks in the PRC.

2. Principal terms of the New Financial Services Agreement and Supplemental Agreement

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

- Date of execution : March 18, 2019
- Parties : (1) the Company; and
(2) Zhejiang Communications Finance
- Term : Commence on March 30, 2019 and will end on March 29, 2022
- Scope of Deposit Services : (1) The Group can make deposits with Zhejiang Communications Finance at its discretion, such as current deposit, time deposit, call deposit, and agreement deposit.
- (2) The interest rates to be paid by Zhejiang Communications Finance for the Group's deposits with Zhejiang Communications Finance shall be determined based on the prevailing deposit interest rates promulgated by the PBOC for the same period and should not be lower than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods.
- (3) Deposit Cap: The daily balance of the Group's deposits (including any interest accrued thereon) with Zhejiang Communications Finance shall not exceed RMB1,400 million.
- (4) Zhejiang Communications Finance will ensure the security of the Group's deposits and shall repay the Group the amount of deposits due to the Group upon the Group's request.

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From our examination of both the New Financial Services Agreement and the Previous Financial Services Agreement, we noted that i) the terms of the Deposit Services contemplated under the New Financial Services Agreement do not have material difference in comparison with the Previous Financial Services Agreement; ii) the interest rates to be paid by Zhejiang Communications Finance for the Group's deposits shall not be lower than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods (please refer to section "**4.1 Pricing policy of the Revised Annual Caps**" for detailed analysis on the interest rates); and iii) the Group is neither obliged nor committed to engage Zhejiang Communications Finance for the Deposit Services pursuant to the terms of the New Financial Services Agreement, and the Group has the discretion to choose any other banks or financial institutions to satisfy its financial service needs.

On March 18, 2019, the Company entered into the Supplemental Agreement, which supplements the New Financial Services Agreement, to revise the annual caps in respect of the maximum daily aggregate outstanding balance of the Deposit Services placed by the Group with Zhejiang Communications Finance from RMB1,400.0 million (the "**Existing Annual Caps**") to RMB2,500.0 million (the "**Revised Annual Caps**") for each of the year ending 31 December 2019, 2020, and 2021, and the period from January 1, 2022 to March 29, 2022. Save and except for the Revised Annual Caps and the Loan Services, all other terms and conditions under the New Financial Services Agreement shall remain effective and unchanged.

3. Reasons for and benefits of the Revised Annual Caps

As set out in the Letter from the Board, the Company considers that the Existing Annual Caps for the maximum daily aggregate outstanding balance of Deposit Services of RMB1,400 million will be insufficient to satisfy the Group's future financial needs. Also, pursuant to the New Financial Services Agreement, the Group will utilize the financial services of Zhejiang Communications Finance on a voluntary and non-compulsory basis and is not obliged to engage the Zhejiang Communications Finance for any particular service. Therefore, the Board proposes the Revised Annual Caps in order to meet the Group's future demands on Deposit Services from Zhejiang Communications Finance.

Further, as set out in the Letter from the Board, the Company would have a stronger bargaining position for a more favorable deposit interest rate if the investments are centralized and deposited with one selected financial institution in order to earn better returns on the deposits. As at the Latest Practicable Date, the deposit interest rates offered by Zhejiang Communications Finance to the Group represented approximately 130% to 140% of the prevailing deposit interest rates promulgated by the PBOC for the same type of deposits and the same periods. In addition, the deposit interest rates offered by Zhejiang Communications Finance should be in line with or higher than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods pursuant to the New Financial Services Agreement. Our independent analysis of the deposit rates offered by Zhejiang Communications Finance is set out in the section headed "**4.1 Pricing policy of the Revised Annual Caps**". As such, the Group expects more interest income can be earned on the deposits through the favorable deposit rates offered by Zhejiang Communications Finance.

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In addition, the Group would be able to obtain financial loans with lower interest rate with a higher amount of deposits placed. Despite the loan interest rate has generally increased in 2018, the average of the interest rates charged on the loans offered by Zhejiang Commutations Finance to the Group was lower than the market benchmark loan interest rates. Therefore, with higher annual caps for the Deposit Services, this will allow the Group to secure financial loans with lower interest rates in order to lower the finance costs incurred.

The Group's core toll road business has been growing steadily in the past three years ended December 31, 2018. As set out in the annual report of the Group for the year ended 31 December 2017 and the 2018 Annual Results Announcement, the total toll revenues generated from the Group's core expressway operation in the PRC were approximately RMB5,279.3 million, RMB5,986.2 million, and RMB6,302.4 million for the years ended December 31, 2016, 2017 and 2018 respectively, which represented a compound annual growth rate of approximately 9.3%. In addition, the management of the Company has advised that the Group is actively seeking for profitable investments, including acquisition of expressways, which would bring further development and potential investment returns to the Group. We noted in early 2019, the Group has acquired the entire equity interest of Zhejiang Shenjiahuhang Expressway Co., Ltd. (浙江申嘉湖杭高速公路有限公司), which also engages Zhejiang Communications Finance as its primary financial institution. Upon completion of the acquisition, the deposit amount between Zhejiang Shenjiahuhang Expressway Co., Ltd. and Zhejiang Communications Finance will be consolidated into the annual caps of the Group. Therefore, given the steady growth of the Group and the newly acquired business, the management of the Company believes that the Existing Annual Caps are insufficient to support the continuous growth and expansion of the Group, and that revising the Existing Annual Caps would be beneficial for the Group.

As Zhejiang Communications Finance is owned as to 35% by the Company, the management of the Company believes that obtaining financial services, in particular, the Deposit Services, Loan Services, Clearing Service, and Other Financial Services, with its associate will ultimately benefit the Company as compared to obtaining the similar services from other major commercial banks in the PRC. Therefore, the management of the Company considers that placing deposits with Zhejiang Communications Finance will ultimately benefit the Company, and the Revised Annual Caps would allow the Company to enhance such deposit benefits and strengthen the centralized management of its funds.

Having considered that (i) the deposit interest rates offered by Zhejiang Communications Finance are no less favorable than the interest rates offered by other major independent commercial banks in the PRC for the same type of deposit under the same duration; (ii) the centralization of deposits with Zhejiang Communications Finance would enable the Group to obtain loans with lower interest rates; (iii) the steady growth in the Group's core toll road business and progressive development in acquiring other profitable businesses; (iv) as the Company has equity interest in Zhejiang Communications Finance, obtaining financial services from its associate will ultimately benefit the Company; and (v) save and except for the Revised Annual Caps and Loan Services, all other terms and conditions under the New Financial Services Agreement shall remain effective and unchanged, we concur with the Directors' view that the Existing Annual Caps contemplated under the New Financial Services Agreement are unable to satisfy the Company's future demand on Deposit Services, and that the adoption of the Revised Annual Caps and entering into the Supplemental Agreement is fair and reasonable and it is in the interests of the Shareholders and the Company as a whole.

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4. Revised Annual Caps

The table below sets forth the highest historical deposit balances placed by the Group with Zhejiang Communications Finance, annual caps and utilization rates for the years ended December 31, 2016, 2017, and 2018, and the two months ended February 28, 2019:

	Years ended December 31			Two months ended
				February 28
	2016	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Maximum daily aggregate outstanding balance of the Deposit Services	1,379.1	1,301.6	1,485.4	1,218.7
Annual caps	1,500.0	1,500.0	1,500.0	1,500.0
Utilization rate	91.94%	86.78%	99.03%	81.25%

According to the above table, we noted that the relevant utilization rates of the maximum daily aggregate balance of the Deposit Services were approximately 91.94%, 86.78% and 99.03% for the years ended December 31, 2016, 2017 and 2018 respectively, and 81.25% for the two months ended February 28, 2019. We also noted that the utilization rates remained at high level and reached 99.03% for the year ended December 31, 2018.

Pursuant to the Supplemental Agreement, the Revised Annual Caps for the maximum daily aggregate outstanding balance of the Deposit Services for the years ending December 31, 2019, 2020, and 2021 and the period from January 1, 2022 to March 29, 2022 are set out in the table below.

	Years ending December 31			Period from
				January 1,
				2022 to
				March 29,
	2019	2020	2021	2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Maximum daily aggregate outstanding balance of the Deposit Services	2,500.0	2,500.0	2,500.0	2,500.0

Detailed description and analysis of the bases for determining the Revised Annual Caps are set out under the section headed “**4.2 Bases and assumptions in determining the Revised Annual Caps**”.

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4.1 Pricing policy of the Revised Annual Caps

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

We understand that the PBOC publishes the PBOC Rates to serve as a benchmark for commercial banks in the PRC to make reference to when determining their deposit interest rates to offer to their customers. As such, we are of the view that it is fair and reasonable to refer to the PBOC Rates as the benchmark when comparing deposit interest rates offered by Zhejiang Communications Finance. Set out below is a summary of our research of the PBOC Rates currently in effect and the deposit interest rates currently offered by Zhejiang Communications Finance to the Group.

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

Note: The standard rate of deposit is allowed to have a certain percentage of upward adjustment subject to the commercial decision of financial institutions.

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We noted that the deposit interest rates for demand deposits, agreement deposits and call deposits offered by Zhejiang Communications Finance represent approximately 130% of the current relevant PBOC Rates, while the deposit interest rates for time deposits represents 140% of the current relevant PBOC Rates. The interest rates currently offered by Zhejiang Communications Finance are within the range allowed by the PBOC. We were advised by the management of the Company that the interest rates offered by Zhejiang Communications Finance will make reference to the PBOC Rates, and Zhejiang Communications Finance will review from time to time its offering rates with the deposit interest rates published by other major commercial banks in the PRC.

For our due diligence purposes, we have also reviewed the quotations of the interest rates obtained by the Company from five independent third-party major commercial banks in the PRC, and we concluded that the interest rates offered by Zhejiang Communications Finance are no less favorable in comparison. In addition, we have also researched and obtained the relevant deposit interest rates from eight independent third-party major commercial banks in the PRC (the “**Comparable Banks**”), and we noted that the interest rates offered by Zhejiang Communications Finance as mentioned above are no less favorable than the relevant interest rates offered by the Comparable Banks with similar deposit type and duration.

With respect to the financial loan interest rates, we have also reviewed all the financial loan agreements which the Company executed in the year of 2018. In total, we have reviewed six financial loan agreements, of which three were executed with Zhejiang Communications Finance and three were executed with an independent third party licensed commercial bank in the PRC. We concluded that (i) the interest rate of the financial loans offered by Zhejiang Communications Finance were all lower than the interest rate of the financial loans offered by the independent third party licensed commercial bank; and (ii) the aggregate amount of the financial loans borrowed from Zhejiang Communications Finance was larger than the aggregate amount of the financial loans borrowed from the independent third party licensed commercial bank. We have enquired and advised by Zhejiang Communications Finance that one of the major the reasons for the favorable financial loan terms offered to the Group was due to the Group’s deposit placed with Zhejiang Communications Finance. Further, Zhejiang Communications Finance has advised us that with a larger amount of deposit placed, they would be able to offer financial loans with better terms and in larger amount as the deposit serves as creditability to some extent.

Having considered that (i) Zhejiang Communications Finance offers more favorable deposit rates to the Group as compared with the market; (ii) Zhejiang Communications Finance will make reference to the PBOC Rates, and will review its offering rates with the deposit interest rates published by other major commercial banks in the PRC from time to time; (iii) Zhejiang Communications Finance offers lower interest rates on financial loans to the Group as compared with the market; and (iv) Zhejiang Communications Finance will be able offer financial loans with better terms and in larger amount as the Group places more deposits, we concur with the Directors’ view that the pricing policy of the Revised Annual Caps is fair and reasonable, and increasing the annual caps will be in the interest of the Group and Shareholders as a whole.

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4.2 *Bases and assumptions in determining the Revised Annual Caps*

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

- (i) The Group has been expanding its core toll road business progressively, and in particular, the 100% equity interest acquisition of the Zhejiang Shenjiahuhang Expressway Co., Ltd. With reference to the circular of the Company dated January 15, 2019 regarding the acquisition, Zhejiang Shenjiahuhang Expressway Co., Ltd.'s toll revenue increased from approximately RMB1,214.6 million to RMB1,402.5 million for the years ended December 31, 2016 and 2017, which represented a 15.5% growth. Given the strong growth in toll revenue of the newly acquired business, the management of the Company expects the toll revenues will increase significantly in the near future.
- (ii) The Group recorded total toll revenues of RMB5,279.3 million, RMB5,986.2 million, and RMB6,302.4 million for the years ended December 31, 2016, 2017, and 2018, respectively, which in aggregate translates to an annual compounded growth of 9.3%. As such, the management of the Company expects that the continuous growth in toll revenues, which is a daily recurring cash inflow in nature, will increase the Group's future cash flow significantly and will drive greater need for the Deposit Services.
- (iii) The historical utilization rates of the annual caps remained at high level and amounted to approximately 91.94%, 86.78%, and 99.03% for the years ended December 31, 2016, 2017, and 2018, respectively, and amounted to approximately 81.25% for the two months ended February 28, 2019.
- (iv) According to the 2018 Annual Results Announcement, we noted that the Group's cash and cash equivalents amounted to approximately RMB6,477.7 million as at December 31, 2018, which represents an increase of approximately 15.9% as compared to approximately RMB5,588.8 million as at December 31, 2017. Respectively, the cash and cash equivalents represent 431.8% and 372.6% of the Existing Annual Caps as at December 31, 2018 and December 31, 2017. Hence, the Company considers that the Existing Annual Caps are comparatively insufficient as compared to the amount of cash and cash equivalents the Company holds.
- (v) The Company will continue to seek for profitable investment opportunities through diversified channels, in particular, in acquiring toll road businesses, in order to leverage its competitive advantages and strengthen its core expressway business. As advised by the management of the Company, new toll roads often incur up-front substantial construction cost at the beginning of the project and will only become profit-making after years of operation. As such, newly built toll roads often have high debts and face difficulties in obtaining credit support from external commercial banks. With the support from Zhejiang Communications Finance on Loan Services with favorable terms as mentioned above, the Group is able to acquire the toll roads,

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which have great potential, yet are facing difficulties in obtaining credit supports. Therefore, the Group expects by increasing the annual caps for the Deposit Services will enable the Company to better utilize the financial services offered by Zhejiang Communications Finance in responding to an increasing demand on the Loan Services in the future years.

- (vi) As the Company holds 35% equity interest in Zhejiang Communications Finance, the management of the Company believes that establishing a working relationship for financial services, in particular, the Deposit Services, Loan Services, Clearing Service, and Other Financial Services, with its associate will ultimately benefit the Company as compared to obtaining these services from other major commercial banks. Therefore, the management of the Company considers that placing deposits with Zhejiang Communications Finance is a financial strategy that will strengthen the centralized management of its funds and ultimately benefit the Company.

Taking into account of (i) the Group's progressive development on its core business; (ii) the Group's steady and continuous growth in toll revenues; (iii) the historical high utilization rates of the annual caps for the Deposit Services placed with Zhejiang Communications Finance; (iv) the Existing Annual Caps represent a small portion of the cash and cash equivalents that the Company holds; (v) the future financial needs of the Group as it continues to develop and expands through acquiring new toll roads, and (vi) the equity interest in Zhejiang Communications Finance owned by the Company, we are of the view that the Revised Annual Caps for the Deposit Services under the Supplemental Agreement are justifiable, and are fair and reasonable so far as the Company and Independent Shareholders are concerned.

5. Internal control and risk management measures of deposits management

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

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

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The finance management department of the Company will also monitor the daily balance of the deposits made by the Group with all financial institutions, including Zhejiang Communications 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.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the Auditor to perform independent assurance review on all of the Company's continuing connected transactions, including the continuing connected transactions contemplated under the Previous Financial Services Agreement. We have obtained and reviewed the Auditor's letters for each of the two years ended December 31, 2017 and December 31, 2016 (the "**Auditor's Letters**") in respect of the continuing connected transactions of the Group. The management of the Company has confirmed that the Auditor will perform the similar independent assurance review and issue a letter in respect of the Company's continuing connected transactions for the year ended December 31, 2018 upon the publication of the 2018 annual result announcement. The Auditor's Letters indicate that the review was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The Auditor's Letters were issued to the Independent Board Committee confirming, among others, that nothing has come to the Auditor's attention that would cause them to believe that the transactions were not conducted in accordance with the agreement terms and the Revised Annual Caps have been exceeded.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

In view of the above, in particular, (i) there are sufficient internal control and risk management measures in place to ensure that the deposits to be placed with Zhejiang Communications Finance will not exceed the Revised Annual Caps in accordance with the Supplemental Agreement, and (ii) there had not been any record of non-compliance on the relevant laws and regulations of the PRC as advised by the management of the Company, we are of the view that there are sufficient internal control and risk management measures in place to govern and monitor the proposed continuing connected transactions under the Supplemental Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

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

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing Director

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests in the Company and its associated corporation

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

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

(b) Substantial shareholders

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

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

Name of the Shareholder	Capacity	Number of Shares	Percentage of the issued share capital of the Company (H Shares)
JPMorgan Chase & Co.	Beneficial owner,	128,311,524 (L)	8.94%
	investment	2,114,026 (S)	0.14%
	manager, interest	73,002,433 (P)	5.09%
	of controlled corporations and approved lending agent		
BlackRock, Inc.	Interest of controlled corporations	128,842,524 (L)	8.99%
Citigroup Inc.	Interest of	120,777,936 (L)	8.42%
	controlled	11,800 (S)	0.00%
	corporations	111,018,776 (P)	7.74%

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

3. OTHER INTERESTS OF DIRECTORS

As at the Latest Practicable Date,

(a) Interests in service contracts

Each of the Directors has entered into a service agreement with the Company, which is effective from July 1, 2018 to June 30, 2021.

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

(b) Interests in assets

None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2018, being the date to which the latest published audited financial statements of the Group were made up; and

(c) Interests in contracts or arrangements

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

4. DIRECTORS' COMPETING INTERESTS

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

5. LITIGATION

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

6. EXPERT AND CONSENT

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

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

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

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

The letter from Octal Capital is set out on pages 15 to 28 of this Circular and is given as at the date of this Circular for incorporation herein.

Octal Capital has not, or has not had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2018, the date to which the latest published audited accounts of the Group was made up.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since December 31, 2018, being the date to which the latest published audited financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Ashurst Hong Kong at 11/F, Jardine House, 1 Connaught Place, Central, Hong Kong for a period of 14 days from the date of this Circular:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Group for each of the two financial years ended December 31, 2018;
- (c) the New Financial Services Agreement;
- (d) the Supplemental Agreement;
- (e) the letter from the Independent Board Committee, as set out on page 14 of this Circular;
- (f) the letter from the Octal Capital, as set out on pages 15 to 28 of this Circular;
- (g) the written consent referred to in the paragraph headed “Expert and Consent” above; and
- (h) this Circular.



浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

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

(Stock code: 0576)

NOTICE OF 2018 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 annual general meeting (the “**AGM**”) of Zhejiang Expressway Co., Ltd. (the “**Company**”) will be held at 10 a.m. on Friday, May 31, 2019 at 5/F, No. 2 Mingzhu International Business Center, 199 Wuxing Road, Hangzhou City, Zhejiang Province, People’s Republic of China (the “**PRC**”), for the purpose of considering and, if thought fit, passing with or without modification or amendment the following resolutions:

AS ORDINARY RESOLUTIONS

1. to consider and approve the report of the directors of the Company (the “**Directors**”) for the year 2018;
2. to consider and approve the report of the supervisory committee of the Company for the year 2018;
3. to consider and approve the audited financial statements of the Company for the year 2018;
4. to consider and approve dividend of RMB37.5 cents per share in respect of the year ended December 31, 2018;
5. to consider and approve the final accounts of the Company for the year 2018 and the financial budget of the Company for the year 2019;
6. to consider and approve the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the Hong Kong auditors of the Company, and to authorize the board of Directors of the Company (the “**Board**”) to fix their remuneration;
7. to consider and approve the re-appointment of Pan China Certified Public Accountants as the PRC auditors of the Company, and to authorize the Board to fix their remuneration; and

8. to consider and approve the annual caps for the Deposit Services under the New Financial Services Agreement dated March 18, 2019, (as supplemented by the Supplemental Agreement dated March 18, 2019) (as defined in the circular of the Company dated April 15, 2019) be revised from RMB1.4 billion to RMB2.5 billion for each of the years ending December 31, 2019, 2020 and 2021 and the period from January 1, 2022 to March 29, 2022.

AS SPECIAL RESOLUTION

9. to consider and approve the grant of a general mandate to the Board to issue, allot and deal with additional H Shares (as defined in the circular of the Company dated April 15, 2019) not exceeding 20% of the H Shares of the Company in issue and authorize the Board to make corresponding amendments to the articles of association of the Company (“**Articles of Association**”) as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of H Shares, the details are as follows:

“**THAT**

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

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

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

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

- (B) The Board be authorized to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares as provided in sub-paragraph (a) of paragraph (A) of this resolution.
- (C) The Board is authorized to grant the general mandate to the Chairman and General Manager to individually or jointly issue H Shares at their absolute discretion.”

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

Hangzhou, the PRC, April 15, 2019

Notes:

1. The above mentioned resolution No. 8 shall be approved by independent shareholders as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Zhejiang Communications Investment Group Co., Ltd. and its associates will abstain from voting in relation to such resolution. Details regarding such resolution are set out in the circular of the Company dated April 15, 2019.
2. **Registration procedures for attending the AGM**
 - (1) Holders of H shares of the Company (“**H shares**”) and domestic shares of the Company (“**Domestic Shares**”) intending to attend the AGM should return the reply slip for attending the AGM to the Company by post or by facsimile (address and facsimile numbers are shown in paragraph 7(2) below) such that the same shall be received by the Company on or before May 11, 2019.

- (2) A shareholder or his/her/its proxy should produce proof of identity when attending the AGM. If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative shall produce proof of identity and a copy of the resolution of the board of directors or other governing body of such shareholder appointing such legal representative to attend the meeting.

3. **Proxy**

- (1) A shareholder eligible to attend and vote at the AGM is entitled to appoint, in written form, one or more proxies to attend and vote at the AGM on behalf of him/her/it. A proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a written instrument signed by the appointor or an attorney authorized by him/her/it for such purpose. If the appointor is a corporation, the same shall be affixed with the seal of such corporation, or signed by its director(s) or duly authorized representative(s). If the instrument appointing a proxy is signed by a person authorized by the appointor, the power of attorney or other authorization document(s) shall be notarized.
- (3) To be valid, the power of attorney or other authorization document(s) (which have been notarized) together with the completed form of proxy must be delivered, in the case of holders of Domestic Shares, to the Company at the address shown in paragraph 7(2) below and, in the case of holders of H Shares, to Hong Kong Registrars Limited at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, at least 24 hours before the time designated for holding of the AGM.
- (4) Any vote of the shareholders of the Company present in person or by proxy at the AGM must be taken by poll.

4. **Book closing period**

For the purpose of the AGM and to determine the shareholders who qualify for the proposed dividend, the register of members holding H shares of the Company will be closed from May 1, 2019 to May 30, 2019 (both days inclusive), and from June 6, 2019 to June 11, 2019 (both days inclusive).

5. **Last day of transfer and record date**

Holders of H Shares who intend to attend the AGM and qualify for the proposed dividend must deliver all transfer instruments and the relevant shares certificates to Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on April 30, 2019 and on June 5, 2019 respectively.

For the purpose of the AGM and qualify for the proposed dividend, the record date will be May 30, 2019 and June 11, 2019 respectively.

6. **Dividend Payable date**

Upon relevant approval by shareholders at the AGM, the dividend is expected to be paid by no later than July 5, 2019.

7. **Miscellaneous**

- (1) The AGM will not last for more than one day. Shareholders who attend shall bear their own traveling and accommodation expenses.
- (2) The principal place of business of the Company in the PRC is:

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

As at the date of this notice, the chairman of the Company is Mr. YU Zhihong; the executive Directors of the Company are: Mr. 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.