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

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

**CONNECTED TRANSACTION  
IN RELATION TO THE PROPOSED ACQUISITION OF  
ENTIRE EQUITY INTEREST IN THE TARGET**

**EQUITY TRANSFER AGREEMENT**

On 5 June 2019, the Company and Zhejiang Shipping entered into the Equity Transfer Agreement, pursuant to which Zhejiang Shipping conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in the Target at a cash Consideration of RMB1,010,144,600 (equivalent to approximately HK\$1,149,537,520).

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. As at the date of this announcement, Zhejiang Shipping is a wholly-owned subsidiary of the Communications Group. Therefore, Zhejiang Shipping is a connected person of the Company. As a result, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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

## **INTRODUCTION**

On 5 June 2019, the Company and Zhejiang Shipping entered into the Equity Transfer Agreement, pursuant to which Zhejiang Shipping conditionally agreed to sell and the Company conditionally agreed to acquire the entire equity interest in the Target at a cash Consideration of RMB1,010,144,600 (equivalent to approximately HK\$1,149,537,520). Upon the Completion, the Target will become a wholly owned subsidiary of the Company.

## **EQUITY TRANSFER AGREEMENT**

### **Date**

5 June 2019

### **Parties**

Vendor: Zhejiang Shipping  
Purchaser: the Company

### **Assets to be acquired**

100% equity interest in the Target

### **Consideration and payment terms**

The Consideration for the entire equity interest in the Target is RMB1,010,144,600 (equivalent to approximately HK\$1,149,537,520), being the transfer price as agreed under the Equity Transfer Agreement, which was determined based on the appraised value of the Target as set out in the Valuation Report prepared by the Valuer using the asset-based approach with reference to the appraised value of the Target at the Valuation Benchmark Date as set out in the Valuation Report.

40% of the Consideration will be payable by the Company within five business days from the effective date of the Equity Transfer Agreement and the remaining 60% of the Consideration will be payable by the Company within 20 business days from the effective date of the Equity Transfer Agreement. The Consideration shall be paid in cash.

### **Conditions precedent**

The Equity Transfer Agreement shall take effect upon satisfaction of the following conditions:

- (i) approval of the Acquisition by Zhejiang Shipping, the Target's sole shareholder, having been obtained;
- (ii) approval of the Acquisition by the board of directors of Zhejiang Shipping having been obtained;

- (iii) approval of the Acquisition by the board of directors of the Communications Group having been obtained; and
- (iv) approval of the Acquisition by the Board (excluding directors with material interest in the Acquisition) having been obtained.

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

### **Completion**

Within 20 business days from the effective date of the Equity Transfer Agreement, the parties shall cooperate to apply to the local industrial and commercial administration for the registration of the change of shareholder of the Target and other governmental authorities for any other approvals or fillings. The Completion shall take place on the date of completion of the registration with the local industrial and commercial administration.

### **INFORMATION ON THE TARGET**

The Target is a limited liability company established in the PRC on January 6, 1998. The Target is principally engaged in the operation of hotel, retail, rental and food and beverages businesses. The major asset of the Target is a four-star hotel with a total gross floor area of 55,000 square meters constructed on a lot size of 4,956 square meters. The hotel is situated in the heart of the central business district of Hangzhou city comprising of guest rooms, restaurants, conference rooms, parking lots, offices, retail stores and function rooms for club members. As at the date of this announcement, the Target is a wholly owned subsidiary of Zhejiang Shipping and upon the Completion, the Target will become a wholly owned subsidiary of the Company.

According to the Valuation Report, based on the asset-based approach, as at the Valuation Benchmark Date, the book value and appraised value of the Target were RMB73,969,603.14 (equivalent to approximately HK\$84,176,893.21) and RMB1,010,144,588.82 (equivalent to approximately HK\$1,149,537,506.9), respectively, representing an appreciation rate of 1,265.62%. This is mainly due to the very substantial appreciation of the land use right owned by the Target.

According to the audited financial report of the Target for the years ended December 31, 2017 and 2018 prepared with reference to generally accepted accounting principles in the PRC by the PRC statutory auditor of the Target, the net profit of the Target for the financial years ended December 31, 2017 and 2018 (before and after taxation and extraordinary items) are set forth as below:

	<b>For the year ended December 31,</b>	
	<b>2017</b>	<b>2018</b>
	<i>approximate</i>	<i>approximate</i>
	<i>RMB</i>	<i>RMB</i>
net profit before taxation and extraordinary items	5,405,630.48	4,964,237.85
net profit after taxation and extraordinary items	5,405,630.48	4,964,237.85

The original cost in the Target contributed by Communications Group and Zhejiang Shipping represents the amount invested in the Target over the years. The Directors are of the view that the original cost in the Target invested by Communications Group and Zhejiang Shipping are not directly related to the determination of the consideration for acquisition of the Target by the Company.

#### **TRANSACTIONS BETWEEN THE TARGET AND COMMUNICATIONS GROUP AFTER COMPLETION**

Upon the Completion, the Target will become a wholly owned subsidiary of the Company. As a result, should the Target enter into any new transactions or continue any existing transactions with the connected persons of the Company, such transactions would constitute connected transactions or continuing connected transactions for the Company upon and following the Completion. Further announcements will be made by the Company (if required) as and when appropriate in accordance with all applicable requirements of the Listing Rules.

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

As at the date of this announcement, the main asset of the Company is the franchise over its expressways with limited period. From the asset allocation perspective, the Company would like to acquire further assets with long-term stability so as to sustain its long-term development. The core asset held by the Target is the hotel. The Directors consider that the hotel is situated in the heart of the central business district of Hangzhou city, which possesses the unique geographical advantages. Given the Target is profitable and the Directors believe that the real estate prices of such property will continue to grow stably based on the prospect of Hangzhou city, the Acquisition will in turn bring considerable benefits to the Company.

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

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the Acquisition will not affect the dividend policy of the Company.

## **INFORMATION ON THE COMPANY AND ZHEJIANG SHIPPING**

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

Zhejiang Shipping is a subsidiary of Communications Group which is a limited liability company established under the laws of the PRC on February 1, 1981. Zhejiang Shipping is principally engaged in a diverse range of businesses, including but not limited to, domestic and international shipping management, shipping repairment, waterway transportation, real estate leasing and property management, import and export businesses.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. As at the date of this announcement, Zhejiang Shipping is a wholly owned subsidiary of the Communications Group. Therefore, Zhejiang Shipping is a connected person of the Company and as a result, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios in respect of the Acquisition is higher than 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

## DEFINITIONS

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

“Acquisition”	the proposed acquisition of 100% equity interest in the Target by the Company from Zhejiang Shipping pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“business day”	any day other than a Saturday or Sunday or a public holiday in the PRC, on which banks are generally open for business in the PRC
“Communications Group”	浙江省交通投資集團有限公司 (Zhejiang Communications Investment Group Co., Ltd.*), a wholly state owned enterprise established in the PRC, and the controlling shareholder of the Company
“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company established in the PRC with limited liability
“Completion”	completion of the Acquisition pursuant to the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB1,010,144,600 (equivalent to approximately HK\$1,149,537,520) payable by the Company to Zhejiang Shipping in accordance with the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 5 June 2019 entered into between the Company and Zhejiang Shipping in relation to the Acquisition, pursuant to which the Company conditionally agreed to purchase from Zhejiang Shipping the entire equity interest in the Target
“Group”	the Company and its subsidiaries

“H Shares”	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since 15 May 1997
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target”	浙江大酒店有限公司(Zhejiang Grand Hotel Limited*), a limited liability company established in the PRC, and a wholly owned subsidiary of Zhejiang Shipping as at the date of this announcement
“Valuation Benchmark Date”	30 September 2018
“Valuer”	坤元資產評估有限公司 (Kunyuan Capital Valuation Limited*), the independent and qualified asset valuer in the PRC appointed by Zhejiang Shipping
“Valuation Report”	the valuation report dated 31 May 2019 prepared by the Valuer, with the effective period from the Valuation Benchmark Date to 29 September 2019

“Zhejiang Shipping” 浙江省海運集團有限公司 (Zhejiang Shipping Group Co., Ltd.), a limited liability company established in the PRC on 1 February 1981, a wholly owned subsidiary of Communications Group as at the date of this announcement

“%” per cent

\* *For identifications only.*

In this announcement, the translation of RMB into HK\$ is based on the exchange rate of HK\$1 to RMB0.87874. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other exchange rate or at all.

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

Hangzhou, the PRC, 5 June 2019

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