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

**(Stock code: 0576)**

**ANNOUNCEMENT  
CONNECTED TRANSACTIONS  
BETWEEN  
THE GROUP AND ZHEJIANG INFORMATION**

**THE AGREEMENTS**

On September 12, 2019, the Company and its relevant subsidiaries entered into the Agreements with Zhejiang Information, a wholly-owned subsidiary of a controlling shareholder of the Company, pursuant to which the Company and its relevant subsidiaries agreed to purchase, and Zhejiang Information agreed to provide, various services in respect of expressway mechanical and electrical engineering, construction, repair and technical support.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Zhejiang Information, as a wholly-owned subsidiary of Communications Group, is a connected person of the Company and as a result, the transactions contemplated under the Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Agreements and the Previous Transactions with parties who are connected with one another were entered into or completed within a 12-month period, the transactions contemplated under the Agreements and the Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions contemplated under the Agreements.

As the applicable percentage ratios in respect of the transactions contemplated under the Agreements, after aggregating with the Previous Transactions, are more than 0.1% but less than 5%, the Agreements are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## INTRODUCTION

On September 12, 2019, the Company and its relevant subsidiaries entered into the Agreements with Zhejiang Information, pursuant to which the Company and its relevant subsidiaries agreed to purchase, and Zhejiang Information agreed to provide, various services in respect of expressway mechanical and electrical engineering, construction, repair and technical support.

Principal terms of the Agreements are set out below:

### (1) ELECTROMECHANICAL SYSTEM IMPROVEMENT AGREEMENT

- Date:** September 12, 2019
- Parties:** (a) the Company and its relevant subsidiaries; and  
(b) Zhejiang Information
- Scope of services:** Zhejiang Information agreed to provide equipment procurement and installation services in relation to the improvement works of 23 ETC traffic lanes, construction and improvement works in connection with main line surveillance, lighting protection and grounding system, division of office, monitoring and toll collection systems, and integrated rescue system and other aspects of the electromechanical system in respect of all 7 expressways operated by the Group, namely the Shanghai-Hangzhou Expressway Hangzhou-Ningbo Expressway, Shangsang Expressway, Jinhua Section of Yongjin Expressway, Hanghui Expressway, Huihang Expressway, Shenjiahuhang Expressway and Zhoushan Bay Bridge.
- Term:** The construction period is expected to be six months, followed by a trial period of six months and a defect liability period of 24 months and a defect liability period of 60 months for key equipment.
- Consideration and basis of consideration:** The total service fees payable by the Company and the relevant subsidiaries of the Company to Zhejiang Information shall be RMB67,235,951.21 (equivalent to approximately HK\$74,363,713.11).

The consideration under the Electromechanical System Improvement Agreement was determined by public tender procedures which were open to Zhejiang information and other independent third party service providers. The factors for assessment include, but are not limited to, tender quotation, reasonableness of the construction design, tenderer's reputation and qualification and the tenderer's past performance records. The public tender procedures were completed on 11 June 2019 and there were in total seven bidders participated in the public tender procedures. According to the evaluation of the assessment committee, Zhejiang Information successfully obtained the highest overall score among all the bidders.

**Terms of payment** The consideration under the Electromechanical System Improvement Agreement shall be payable by the Company and its relevant subsidiaries respectively to Zhejiang Information as follows:

- (a) 20% to be paid as pre-payment upon receipt of a guarantee provided by a financial institution at the amount of 20% of the consideration payable under the Electromechanical System Improvement Agreement for a guarantee period commencing from the payment of such pre-payment until the completion of the transaction contemplated under the Electromechanical System Improvement Agreement;
- (b) 60% to be paid upon acceptance of delivery and examination;
- (c) 17% to be paid upon final acceptance; and
- (d) 3% of the consideration to be paid upon the expiry of the defect liability period.

**(2) AGREEMENT FOR REMOVAL OF EXPRESSWAY TOLL STATIONS AT PROVINCIAL BORDERS**

**Date:** September 12, 2019

**Parties:**

- (a) the Company and
- (b) Zhejiang Information

**Scope of services:** Zhejiang Information agreed to provide construction services in respect of 195 sets of virtual toll stations for expressway main lines, 50 new entrance control lanes for overweight vehicles and 81 ETC lanes, improvement works of 50 toll collection systems and installation of relevant network security equipments in respect of all 7 expressways operated by the Group, namely the Shanghai-Hangzhou Expressway Hangzhou-Ningbo Expressway, Shangsang Expressway, Jinhua Section of Yongjin Expressway, Hanghui Expressway, Huihang Expressway, Shenjiahuhang Expressway and Zhoushan Bay Bridge.

**Term:** The construction period is expected to be five months, followed by a defect liability period of 60 months.

**Consideration and basis of consideration:** The total service fees payable by the Company to Zhejiang Information shall be RMB298,773,034.98 (equivalent to approximately HK\$330,446,314.20).

The consideration was determined by invitation to tender where five bidders, including Zhejiang Information and other four independent third party service providers, participated in the tender procedures. The factors for assessment include, but are not limited to, tender quotation, reasonableness of the design, construction plan and the tenderer's organisation and implementation plan. The tender procedures were completed on August 16, 2019. According to the evaluation of the assessment committee, Zhejiang Information successfully obtained the highest overall score among all the bidders.

**Terms of payment** The consideration shall be payable by the Company to Zhejiang Information as follows:

- (a) 30% to be paid as pre-payment upon receipt of a guarantee provided by a financial institution at the amount of 30% of the consideration payable under the Agreement for Removal of Expressway Toll Stations at Provincial Borders with effect from the payment of such pre-payment until the completion of the transaction contemplated under the Agreement for Removal of Expressway Toll Stations at Provincial Borders;
- (b) 20% to be paid upon completion of the relevant network security equipment installation;

- (c) 35% to be paid upon acceptance of delivery and examination;
- (d) 12% to be paid upon final acceptance; and
- (e) 3% of the consideration to be paid upon the expiry of the defect liability period.

**(3) INTELLIGENT EXPRESSWAY EPC AGREEMENT**

**Date:** September 12, 2019

**Parties:** (a) the Company  
(b) Zhejiang Information

**Scope of services:** Zhejiang Information agreed to provide design and construction services to the Company as part of the Company's smart and intelligent expressway improvement project to enhance road video surveillance, inspection and detection capabilities, improve monitoring on key equipments, expedite traffic dispersion and accident handling, construct central computer server, cyber security facilities and add new storage or transmission equipment in respect of Shanghai-Hangzhou-Ningbo Expressway.

**Term:** The construction period is expected to be five months, followed by a trial period of three months and a defect liability period of two years.

**Consideration and basis of consideration:** The consideration payable by the Company to Zhejiang Information under the Intelligent Expressway EPC Agreement shall be RMB53,178,421 (equivalent to approximately HK\$58,815,927.67).

The consideration was determined by invitation to tender where four bidders, including Zhejiang Information and other three independent third party service providers, participated in the tender procedures. The factors for assessment include, but are not limited to, tender quotation, reasonableness of the design, construction plan, the tenderer's qualification and industry reputation and the tenderer's past performance records. The tender procedures were completed on August 15, 2019. According to the evaluation of the assessment committee, Zhejiang Information together with Zhejiang Transportation Planning and Design Institute Co., Ltd.\* (浙江省交通規劃設計研究院有限公司) successfully obtained the highest overall score among all the bidders.

**Terms of payment** The consideration under the Intelligent Expressway EPC Agreement payable by the Company to Zhejiang Information shall be paid as follows:

- (a) 20% to be paid as pre-payment upon receipt of a guarantee provided by a financial institution at the amount of 20% of the consideration payable under the Intelligent Expressway EPC Agreement with effect from the payment of such pre-payment until the completion of the transaction contemplated under the Intelligent Expressway EPC Agreement;
- (b) 60% to be paid upon acceptance of delivery and examination;
- (c) 17% to be paid upon final acceptance; and
- (d) 3% of the consideration to be paid upon the expiry of the defect liability period.

**(4) REPAIR AGREEMENT**

**Date:** September 12, 2019

**Parties:** (a) Shenjiahuhang  
(b) Zhejiang Information

**Scope of services:** Zhejiang Information agreed to provide repair and technical support services to Shenjiahuhang in relation to video surveillance, data collection, news publish, data transmission, display and storage, tunnel system, system software, toll system, cables, electricity system, lightning system and other ancillary emergency systems in respect of Shenjiahuhang Expressway.

**Term:** One year since the signing of the Repair Agreement.

**Consideration and basis of consideration:** The total service fees payable by Shenjiahuhang to Zhejiang Information shall be RMB459,000 (equivalent to approximately HK\$507,659.13).

The consideration under the Repair Agreement was determined with reference to historic prices and industry market prices of the services to be provided under the Repair Agreement after considering several proposals in response to requests for quotations.

**Terms of payment** The consideration under the Repair Agreement shall be payable by Shenjiahuhang to Zhejiang Information in four equal instalments at the end of each quarter of the term of the Repair Agreement. Any deduction incurred shall be deductible from the quarterly amount of consideration payable. Any deductible amount exceeds 25% of the totally consideration payable under the Repair Agreement shall be deferred and deducted from the next quarter payment.

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

As a wholly-owned subsidiary of Communications Group, Zhejiang Information is fully aware of the Company's business and operating needs, and maintains effective communication to provide more quality services to the Company. Zhejiang Information has the relevant qualifications and expertise to provide expressway monitoring and warning system development services and expressway mechanical and electrical engineering services to the Company. The transactions contemplated under the Agreements are and will be conducted in the ordinary and usual course of business of the Company, and the consideration paid by the Company and its subsidiaries to Zhejiang Information will not be higher than the average market price and will not be less favourable than those provided by independent third parties to the Group for similar services.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Construction Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

The Company is a joint stock company established under the laws of the PRC with limited liability on March 1, 1997, the H Shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in investing in, developing and operating high-grade roads in the PRC. The Group also carries on certain other businesses such as operation of gas stations, restaurants and shops in service areas, advertising at expressway interchanges and external road maintenance, as well as securities related business.

Zhejiang Information is a wholly-owned subsidiary of Communications Group which is incorporated under the laws of the PRC. Zhejiang Information is principally engaged in research and development, manufacturing and sales of intelligent transportation and information technology products, road tolling, communication and surveillance systems, provision of technical advisory services for electrical and mechanical systems of tunnels, professional technical support services and engineering, procurement and construction services.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. Zhejiang Information is a wholly-owned subsidiary of Communications Group. Therefore, Zhejiang Information is a connected person of the Company and as a result, the transactions contemplated under the Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, as the transactions contemplated under the Agreements and the Previous Transactions with parties who are connected with one another were entered into or completed within a 12-month period, the transactions contemplated under the Agreements and the Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratios to determine the classification of the transactions.

As the applicable percentage ratios in respect of the transactions contemplated under the Agreements, after aggregating with the Previous Transactions, are more than 0.1% but less than 5%, the Agreements will be subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors have a material interest in the transactions contemplated under the Agreements, and none are required to abstain from voting on the relevant Board resolutions.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Agreement for Removal of Expressway Toll Stations at Provincial Borders”	the agreement dated September 12, 2019 entered into between the Company and Zhejiang Information in relation to provision of toll station construction, improvement services
“Agreements”	collectively, the Electromechanical System Improvement Agreement, the Agreement for Removal of Expressway Toll Stations at Provincial Borders, the Intelligent Expressway EPC Agreement and the Repair Agreement
“Board”	the board of Directors of the Company
“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 on December 29, 2001 and the controlling shareholder of the Company
“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company established in the PRC on March 1, 1997, whose shares are listed on the main board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Electromechanical System Improvement Agreement”	the agreement dated September 12, 2019 entered into between the Company and its relevant subsidiaries and Zhejiang Information in relation to provision of construction, equipment procurement and installation services to the electromechanical system in respect of the 7 expressways operated by the Group
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intelligent Expressway EPC Agreement”	the agreement dated September 12, 2019 entered into between the Company and Zhejiang Information in relation to provision of design and construction services in respect of Shanghai-Hangzhou-Ningbo Expressway
“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
“Previous Transactions”	the agreements entered into or completed within a 12-month period prior to the date of the Agreements between or among the Group and Communications Group’s associates in relation to information technology service and mechanical and electrical engineering services. For details, please refer to the announcements issued by the Company dated August 7, 2018 and November 20, 2018 respectively.

“Repair Agreement”	the agreement dated September 12, 2019 entered into between the Shenjiahuhang and Zhejiang Information in relation to the provision of repair and technical support services to the facilities and systems of Shenjiahuhang Expressway
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shenjiahuhang”	Zhejiang Shenjiahuhang Expressway Co., Ltd.* (浙江申嘉湖杭高速公路有限公司), a limited company established in the PRC and a wholly owned subsidiary of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Zhejiang Information”	浙江高速信息工程技術有限公司 (Zhejiang Expressway Information Engineering Technology Co., Ltd*), a limited company established in the PRC and a wholly-owned subsidiary of Communications Group
“%”	per cent

\* For identification purposes only

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

Hangzhou, the PRC, September 12, 2019

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

*For the purpose of this announcement, unless otherwise indicated, amounts denominated in RMB have been converted, for the purpose of illustration only, into HK\$ at the exchange rate of HK\$1=RMB0.90415. The exchange rate does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.*