

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



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)

ANNOUNCEMENT CONNECTED TRANSACTION

THE AGREEMENT

On November 29, 2019, the Company entered into the Agreement with Zhejiang Information, a wholly-owned subsidiary of a controlling shareholder of the Company, pursuant to which the Company agreed to purchase, and Zhejiang Information agreed to provide, software development, system installation, testing and support services and defect repair services during the defect liability period in respect of the Company's cloud control platform application system of intelligent expressway.

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 Agreement 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 Agreement 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 Agreement 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 Agreement.

As the applicable percentage ratios in respect of the transactions contemplated under the Agreement, after aggregating with the Previous Transactions, are more than 0.1% but less than 5%, the Agreement is 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 November 29, 2019, the Company entered into the Agreement with Zhejiang Information, pursuant to which the Company agreed to purchase, and Zhejiang Information agreed to provide, software development, system installation, testing and support services and defect repair services during the defect liability period in respect of the Company’s cloud control platform application system of intelligent expressway.

Principal terms of the Agreement are set out below:

- Date: November 29, 2019

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

- Scope of services: Zhejiang Information agreed to provide software development, system installation, testing and support services and defect repair services during the defect liability period in respect of the Company’s cloud control platform application system of intelligent expressway as part of the Company’s intelligent expressway improvement project.

- Term: The construction period is expected to be four months, followed by a trial period of three months and a defect liability period of 12 months.

- Consideration and basis of consideration: The consideration payable by the Company to Zhejiang Information under the Agreement shall be RMB5,489,500 (equivalent to approximately HK\$6,113,107).

The consideration has been determined by invitation to tender where three bidders participated in the tender procedures. Other than Zhejiang Information, the other two bidders are independent third party service providers. The factors for assessment include, but are not limited to, tender quotation, the tenderer’s qualification and industry reputation and the tenderer’s past performance records. The tender procedures were completed on October 9, 2019. According to the evaluation of the assessment committee of the Company, Zhejiang Information successfully obtained the highest overall score among all the bidders.

- Terms of payment: The consideration under the Agreement payable by the Company to Zhejiang Information shall be paid as follows:
- (a) 30% to be paid within 10 days after the Agreement comes into force provided that Zhejiang Information has provided a performance guarantee;
 - (b) 50% to be paid within 10 days of the trial period after Zhejiang Information completes the software development, implementation and installation and passes the preliminary inspection of the Company;
 - (c) 15% to be paid upon final acceptance after the 3-month trial period; and
 - (d) 5% of the consideration to be paid upon the expiry of the defect liability period.

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 Agreement are and will be conducted in the ordinary and usual course of business of the Company, and the consideration paid by the Company 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 Agreement 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 securities brokerage, investment banking, asset management, margin financing and securities lending through Zheshang Securities Co., Ltd..

Zhejiang Information is a wholly-owned subsidiary of Communications Group which is established 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 Agreement 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 Agreement 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 Agreement, after aggregating with the Previous Transactions, are more than 0.1% but less than 5%, the Agreement 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.

Mr. Yu Zhihong, Mr. Dai Benmeng, Mr. Yu Qunli and Mr. Yu Ji, being Directors, are deemed to have material interests in the 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 have a material interest in the transactions contemplated under the Agreement, 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” | the agreement dated November 29, 2019 entered into between the Company and Zhejiang Information in relation to the provision of software development and upgrade services |
| “Board” | the board of Directors of the Company |
| “Business Day” | means a day (other than a Saturday, Sunday and Public Holiday) on which licensed banks are open for business in Hong Kong |
| “Communications Group” | Zhejiang Communications Investment Group Co., Ltd.* (浙江省交通投資集團有限公司), a wholly State-owned enterprise established in the PRC on December 29, 2001 and the controlling shareholder of the Company |
| “Company” | Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company established in the PRC on March 1, 1997, whose shares are listed on the main board of the Stock Exchange |
| “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 |
| “Group” | the Company and its subsidiaries |
| “H Shares” | the overseas listed foreign shares of RMB1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997 |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |

| | |
|-------------------------|--|
| “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 within a 12-month period prior to the date of the Agreement 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, November 20, 2018 and September 12, 2019 respectively. |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | holder(s) of the share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Zhejiang 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

For the purpose of this announcement, translation of RMB into HK\$ is made for illustration purposes only at the exchange rate of RMB1.00 to HK1.1136.

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

Hangzhou, the PRC, November 29, 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.