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浙江滬杭甬高速公路股份有限公司

ZHEJIANG EXPRESSWAY CO., LTD.

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

(Stock code: 0576)

CONNECTED TRANSACTION

IN RELATION TO THE ACQUISITION OF A MAJORITY STAKE IN AN EXPRESSWAY PROJECT COMPANY VIA A CONSORTIUM COMPANY

The Board is pleased to announce that on December 23, 2019 (after trading hours), the Company, China Merchants (a substantial shareholder of Shangsans Co which is a subsidiary of the Company and hence, a connected person of the Company at subsidiary level) and four other Independent Third Parties, through the Consortium Company, entered into the ICA Equity and Shareholder Loan Acquisition Agreement with IC Ictas, and the ICM Equity Acquisition Agreement with IC Ictas and IC Ictas (HK), respectively, in relation to the Acquisition. The Consortium Company will act as the acquiring entity in the Acquisition. In the Acquisition, China Merchants, which has 31% equity stake in the Consortium Company, will indirectly acquire 15.81% equity stake in ICA Project Company, 15.81% of the related shareholder loan of ICA Project Company, and 15.81% equity stake in IC Maintenance, respectively. The Company, which has 17.5% equity stake in the Consortium Company, will indirectly acquire 8.925% equity stake in ICA Project Company, 8.925% of the related shareholder loan of ICA Project Company and 8.925% equity stake in IC Maintenance, respectively.

The shareholders of the Consortium Company expect to invest up to USD688.5 million (equivalent to approximately HK\$5.36 billion) to settle the consideration payable in the Acquisition, which is subject to completion adjustment according to a locked box interest rate. The funding from the Company for the Acquisition will be sourced from bank financing and the contribution it makes to the Consortium Company in proportion to its 17.5% shareholding in the Consortium Company.

China Merchants is a substantial shareholder of Shangshan Co which is a subsidiary of the Company and accordingly, China Merchants is a connected person of the Company at subsidiary level pursuant to the Listing Rules. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and since the applicable percentage ratios (as defined under the Listing Rules) exceed 1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on December 23, 2019 (after trading hours), the Company, China Merchants (a substantial shareholder of Shangsan Co which is a subsidiary of the Company and hence, a connected person of the Company at subsidiary level) and four other Independent Third Parties through the Consortium Company entered into the ICA Equity and Shareholder Loan Acquisition Agreement with IC Ictas and the ICM Equity Acquisition Agreement with IC Ictas and IC Ictas (HK), respectively, in relation to the Acquisition. The Consortium Company will act as the acquiring entity in the Acquisition.

In the Acquisition, China Merchants, which has 31% equity stake in the Consortium Company, will indirectly acquire 15.81% equity stake in ICA Project Company, 15.81% of the related shareholder loan of ICA Project Company, and 15.81% equity stake in IC Maintenance, respectively. The Company, which has 17.5% equity stake in the Consortium Company, will indirectly acquire 8.925% equity stake in ICA Project Company, 8.925% of the related shareholder loan of ICA Project Company and 8.925% equity stake in IC Maintenance, respectively.

MAJOR TERMS OF THE ACQUISITION

The Acquisition

On December 23, 2019, IC Ictas as the vendor and the Consortium Company as the buyer have entered into:

- (i) the ICA Equity and Shareholder Loan Acquisition Agreement, pursuant to which IC Ictas agreed to sell and the Consortium Company agreed to acquire 51% equity stake in ICA Project Company and 51% of a related shareholder loan of ICA Project Company; and
- (ii) the ICM Equity Acquisition Agreement, pursuant to which IC Ictas (HK) agreed to sell and the Consortium Company agreed to acquire 51% equity stake in IC Maintenance with IC Ictas as the guarantor.

Acquisition Consideration

The Acquisition Consideration is USD688.5 million (equivalent to approximately HK\$5.36 billion), comprising:

- (i) USD612 million (equivalent to approximately HK\$4.77 billion) for the acquisition of the 51% equity stake in ICA Project Company and 51% of a related shareholder loan of ICA Project Company, respectively; and
- (ii) USD76.5 million (equivalent to approximately HK\$596.02 million) for the acquisition of 51% equity stake in IC Maintenance.

The Company will pay approximately USD120.5 million (equivalent to approximately HK\$938.83 million) for the Acquisition, in proportion to its 17.5% shareholding in the Consortium Company and hence indirect 8.925% equity stake in the ICA Project Company, 8.925% of the related shareholder loan of ICA Project Company and indirect 8.925% equity stake in IC Maintenance.

The funding from the Company for the Acquisition will be sourced from bank financing and the contribution it makes to the Consortium Company in proportion to its 17.5% shareholding in the Consortium Company.

The Acquisition Consideration will be subject to completion adjustment using the locked box mechanism. In the event that there is added value to the Underlying Assets of ICA Project Company, the Consortium Company will pay the corresponding capital gains as calculated with reference to the locked box interest rate to IC Ictas at Completion. The locked box interest rate will be 0% before December 31, 2019 and 3% from January 1, 2020 to the date of Completion. In the event that the value of the Underlying Assets decreases under certain circumstances during the period between the signing of the Equity Acquisition Agreements and Completion, the Acquisition Consideration will be reduced accordingly.

The Acquisition Consideration was determined after arm's length negotiations between the shareholders of the Consortium Company comprising China Merchants, the Company and four other Independent Third Parties, on the one hand, and IC Ictas, on the other hand.

Conditions precedent to the Acquisition

Completion of the Acquisition will be conditional on various conditions precedent including but not limited to the issuance of new share certificates by ICA Project Company in accordance with the Turkish Commercial Code, the approval of the General Directorate of Highways and the Ministry of Finance and Treasury in Turkey, the approval of existing borrowing banks of ICA Project Company, the approval of antitrust regulatory authorities, the approval of Chinese governmental departments such as the State Administration of Foreign Exchange, and the completion of acquisition by IC Ictas of Astaldi's shareholding and shareholder loans in ICA Project Company.

Long Stop Date of the Acquisition

Long Stop Date of the Acquisition shall be the first business day after March 31, 2020.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors consider that the Acquisition is a quality investment which would provide long-term steady income contribution to the Company and reflects the Company's strategy to invest in infrastructure opportunities in overseas markets. The Acquisition is in line with the Group's principal business and allows the Company to make a debut investment into infrastructure opportunities around the world. It also offers an opportunity for the Company to forge international strategic partnerships with established investment project businesses stakeholders.

The Board (including the independent non-executive Directors) believes that the terms of the Equity Acquisition Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and its Shareholders as a whole.

Mr. Pei Ker-Wei abstained from voting on the relevant resolution(s) of the Board because he is currently also a director at China Merchants Group, the parent company of China Merchants. Save as disclosed, none of the Directors has a material interest in the Acquisition nor was required to abstain from voting on the relevant resolution(s) of the Board.

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.

China Merchants is a joint stock company established under the laws of the PRC with limited liability on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange. It is principally engaged in constructing roads, bridges, ports, waterway infrastructure and other projects, offering transportation infrastructure construction services. It also operates investment management businesses.

IC Ictas is a company established under the laws of Turkey with limited liability, principally engaged in public-private partnership projects in partnership with international counterparties and lending financial institutions.

IC Ictas (HK) is a company incorporated under the laws of Hong Kong with limited liability, which is an investment holding vehicle wholly owned by IC Ictas.

“business day”	a day which is not a Saturday or Sunday on which banks in Turkey, the PRC and Hong Kong are open for business
“China Merchants”	China Merchants Expressway Network & Technology Holdings Co Ltd. (招商局公路網絡科技控股股份有限公司), a joint stock limited company established in the PRC on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange
“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company established in the PRC on March 1, 1997, whose shares are listed on the main board of the Stock Exchange
“Completion”	the Equity Acquisition Agreements being executed by the parties and becoming unconditional in all respects other than the payment of any consideration
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consortium Company”	A company to be incorporated in Hong Kong with limited liability, whose shareholders include the Company, China Merchants, Anhui Expressway Company Limited, China Merchants United Development Co., Ltd, Sichuan Expressway Company Limited, and Jiangsu Expressway Company Limited
“Directors”	the director(s) of the Company
“Equity Acquisition Agreements”	collectively, the ICA Equity and Shareholder Loan Acquisition Agreement and the ICM Equity Acquisition Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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

“ICA Equity and Shareholder Loan Acquisition Agreement”	The acquisition agreement entered into between IC Ictas and the Consortium Company on December 23, 2019 pursuant to which the Consortium Company agreed to acquire 51% equity stake in ICA Project Company and 51% of a related shareholder loan of ICA Project Company
“ICA Project Company”	ICA IC İÇTAŞ ASTALDI Üçüncü Boğaz Köprüsü ve Kuzey Marmara Otoyolu Yatırım ve İşletme A.Ş., a company incorporated under the laws of Turkey, being one of the target companies in the Acquisition held as to 80% by IC Ictas
“ICM Equity Acquisition Agreement”	refers to the IC Maintenance Equity Acquisition Agreement which is the acquisition agreement entered into among IC Ictas, IC Ictas (HK) and the Consortium Company on December 23, 2019 pursuant to which the Consortium Company agreed to acquire 51% equity stake in IC Maintenance
“IC Ictas”	IC İÇTAŞ İnşaat Sanayi ve Ticaret A.Ş., a company incorporated under the laws of Turkey with limited liability
“IC Ictas (HK)”	Pacific Motorway Operations Holding Limited, a company incorporated under the laws of Hong Kong wholly owned by IC Ictas as an investment holding company
“IC Maintenance”	Eurasia Motorway Maintenance and Operations Limited, a company incorporated under the laws of Hong Kong wholly owned by IC Ictas (HK) as at the date of this announcement which engages in an operation and maintenance business specifically for projects operated by ICA Project Company
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“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
“Shangsan Co”	Zhejiang Shangsan Expressway Co., Ltd* (浙江上三高速公路有限公司), a joint stock limited company established in the PRC on January 1, 1998 which is owned as to 73.625% by the Company and 18.375% by China Merchants, respectively
“Shareholders”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Underlying Assets”	the operation rights of the Northern Marmara Expressway and the Third Bosphorus Bridge in Turkey
“USD”	US Dollars, the lawful currency of the United States of America
“%”	per cent

* For identification purposes only.

For the purpose of this announcement, translation of USD into HK\$ is made for illustration purposes only at the exchange rate of USD1 to HK\$7.79.

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

Hangzhou, the PRC, December 23, 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.