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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)

CONTINUING CONNECTED TRANSACTIONS THE DAILY ROAD MAINTENANCE AGREEMENTS

THE DAILY ROAD MAINTENANCE AGREEMENTS

Reference is made to the announcement of the Company dated May 14, 2019 in relation to, among others, (i) the Previous Daily Road Maintenance Agreements entered into among the Company, the relevant subsidiaries of the Company and Maintenance Co, and (ii) the Previous Shenjiahuhang Daily Road Maintenance Agreements entered into among Shenjiahuhang Co, Zhoushan Co and Jiaogong Maintenance. The Previous Agreements will all expire on December 31, 2019.

In order to continue to provide quality daily road maintenance services to certain expressways operated by the Group, the Company and the relevant subsidiaries of the Company (including Jiaxing Co, Hangzhou Management Office, Shaoxing Management Office, Ningbo Management Office, Shangshen Management Office, Hanghui Co, Huihang Co, Shenjiahuhang Co, Zhoushan Co, Jinhua Co, and Xintian Management Office), on the one hand, and Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang, on the other hand, entered into the Agreements on December 27, 2019, for a term of three years with effect from January 1, 2020 to December 31, 2022. Each of the Agreements has a term of three years from January 1, 2020 to December 31, 2022.

THE DAILY ROAD MAINTENANCE (FIRST CONTRACT SECTION) AGREEMENTS

On December 27, 2019, Jiaxing Co, Hangzhou Management Office, Shaoxing Management Office, Ningbo Management Office, Shangshen Management Office, Hanghui Co, and Huihang Co separately entered into the Daily Road Maintenance (First Contract Section) Agreements with Maintenance Co, pursuant to which Maintenance Co agreed to provide Maintenance Services to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, the Hanghui Expressway, and the Huihang Expressway.

THE DAILY ROAD MAINTENANCE (SECOND CONTRACT SECTION) AGREEMENTS

On December 27, 2019, Shenjiahuhang Co and Zhoushan Co separately entered into the Daily Road Maintenance (Second Contract Section) Agreements with Jiaogong Maintenance, pursuant to which Jiaogong Maintenance agreed to provide Maintenance Services to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge.

THE DAILY ROAD MAINTENANCE (THIRD CONTRACT SECTION) AGREEMENTS

On December 27, 2019, Jinhua Co and Xintian Management Office separately entered into the Daily Road Maintenance (Third Contract Section) Agreements with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to provide Maintenance Services to three expressways operated by the Group, namely Xintian Section of the Shangsang Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and Yiwu Section of the Yidong Expressway.

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 (as defined under the Listing Rules) of the Company. As at the date of this announcement, each of Maintenance Co, Jiaogong Maintenance, and Zhejiang Shunchang is an indirect subsidiary of Communications Group. Therefore, each of Maintenance Co, Jiaogong Maintenance, and Zhejiang Shunchang is a connected person of the Company and as a result, the respective transactions contemplated under the Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the respective transactions contemplated under the Agreements 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.

THE DAILY ROAD MAINTENANCE (FIRST CONTRACT SECTION) AGREEMENTS

Jiaxing Co, Hangzhou Management Office, Shaoxing Management Office, Ningbo Management Office, Shangshen Management Office, Hanghui Co, and Huihang Co separately entered into the Daily Road Maintenance (First Contract Section) Agreements with Maintenance Co on December 27, 2019, pursuant to which Maintenance Co agreed to provide Maintenance Services to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Hanghui Expressway, and the Huihang Expressway, for a term of three years with effect from January 1, 2020 to December 31, 2022.

Principal terms of the Daily Road Maintenance (First Contract Section) Agreements are set out below:

- Date: December 27, 2019

- Parties: (1) Jiaxing Co, Hangzhou Management Office, Shaoxing Management Office, Ningbo Management Office, Shangshen Management Office, Hanghui Co, Huihang Co; and

(2) Maintenance Co

- Term: From January 1, 2020 to December 31, 2022

- Subject Matter: Maintenance Co agreed to provide Maintenance Services, namely daily maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance.

- Service Fees: The annual service fees payable by the Group to Maintenance Co shall be RMB68,111,019, which amount to RMB204,333,057 in total from 2020 to 2022.

Basis of Service Fees: The service fees were determined as a result of public tender. Other than Maintenance Co, there were three other independent service providers which made a bid. The tender evaluation committee took into account the following when making their decision (including, but not limited to):

- (i) quality of the service provider's maintenance equipment;
- (ii) the service provider's maintenance plan, safety management plan, and emergency plan in the event of accidents;
- (iii) the qualifications and experience of the service provider's project manager, chief engineer and maintenance staff; and
- (iv) the service provider's past performance records.

According to the assessment made by the tender evaluation committee on December 6, 2019, Maintenance Co was the lowest bidder and successfully obtained the highest overall score among all the bidders, and therefore won the tender.

Terms of payment: Payment will be made by the Group based on the actual Maintenance Services provided by Maintenance Co on a monthly basis.

Governing Law: The laws of the PRC.

THE DAILY ROAD MAINTENANCE (SECOND CONTRACT SECTION) AGREEMENTS

Shenjiahuhang Co and Zhoushan Co separately entered into the Daily Road Maintenance (Second Contract Section) Agreements with Jiaogong Maintenance on December 27, 2019, pursuant to which Jiaogong Maintenance agreed to provide Maintenance Services to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge, for a term of three years with effect from January 1, 2020 to December 31, 2022.

Principal terms of the Daily Road Maintenance (Second Contract Section) Agreements are set out below:

- Date: December 27, 2019
- Parties: (1) Shenjiahuhang Co, Zhoushan Co; and
(2) Jiaogong Maintenance
- Term: From January 1, 2020 to December 31, 2022
- Subject Matter: Jiaogong Maintenance agreed to provide Maintenance Services, namely daily maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance.
- Service Fees: The annual service fees payable by the Group to Jiaogong Maintenance in 2020 shall be RMB27,158,624.

The annual service fees payable by the Group to Jiaogong Maintenance in 2021 and 2022 shall be RMB26,334,280 respectively.
- Basis of Service Fees: The service fees were determined as a result of public tender. Other than Jiaogong Maintenance, there were three other independent service providers which made a bid. The tender evaluation committee took into account the following when making their decision (including, but not limited to):
- (i) quality of the service provider’s maintenance equipment;
 - (ii) the service provider’s maintenance plan, safety management plan, and emergency plan in the event of accidents;
 - (iii) the qualifications and experience of the service provider’s project manager, chief engineer and maintenance staff; and
 - (iv) the service provider’s past performance records.

According to the assessment made by the tender evaluation committee on December 6, 2019, Jiaogong Maintenance was the lowest bidder and successfully obtained the highest overall score among all the bidders, and therefore won the tender.

Terms of payment: Payment will be made by the Group based on the actual Maintenance Services provided by Jiaogong Maintenance on a monthly basis.

Governing Law: The laws of the PRC.

THE DAILY ROAD MAINTENANCE (THIRD CONTRACT SECTION) AGREEMENTS

Jinhua Co and Xintian Management Office separately entered into the Daily Road Maintenance (Third Contract Section) Agreements with Zhejiang Shunchang on December 27, 2019, pursuant to which Zhejiang Shunchang agreed to provide Maintenance Services to three expressways operated by the Group, namely Xintian Section of the Shangsang Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, and Yiwu Section of the Yidong Expressway, for a term of three years with effect from January 1, 2020 to December 31, 2022.

Principal terms of the Daily Road Maintenance (Third Contract Section) Agreements are set out below:

Date: December 27, 2019

Parties: (1) Jinhua Co, Xintian Management Office; and
(2) Zhejiang Shunchang

Term: From January 1, 2020 to December 31, 2022

Subject Matter: Zhejiang Shunchang agreed to provide Maintenance Services, namely daily maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance.

Service Fees: The annual service fees payable by the Group to Zhejiang Shunchang shall be RMB22,076,202 in 2020, 2021 and 2022 respectively.

Basis of Service Fees: The service fees were determined as a result of public tender. Other than Zhejiang Shunchang, there were three other independent service providers which made a bid. The tender evaluation committee took into account the following when making their decision (including, but not limited to):

- (i) quality of the service provider's maintenance equipment;
- (ii) the service provider's maintenance plan, safety management plan, and emergency plan in the event of accidents;
- (iii) the qualifications and experience of the service provider's project manager, chief engineer and maintenance staff; and
- (iv) the service provider's past performance records.

According to the assessment made by the tender evaluation committee on December 6, 2019, Zhejiang Shunchang was the lowest bidder and successfully obtained the highest overall score among all the bidders, and therefore won the tender.

Terms of payment: Payment will be made by the Group based on the actual Maintenance Services provided by Zhejiang Shunchang on a monthly basis.

Governing Law: The laws of the PRC.

HISTORICAL TRANSACTION AMOUNTS

The historical contractual amount of service fees under the Previous Daily Road Maintenance Agreements for the year ending December 31, 2019 is RMB66,823,926.

The historical contractual amount of service fees under the Previous Shenjiahuhang Daily Road Maintenance Agreements for the year ending December 31, 2019 is RMB19,991,811.

PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

In accordance with Chapter 14A of the Listing Rules, the Company is required to set annual cap on the total amount of the Agreements payable by the Group. Set out below are the proposed annual caps on the aggregate service fees of the Agreements payable by the Group for the financial years ending December 31, 2020, 2021 and 2022:

	For the financial year ending December 31, 2020 (RMB)	For the financial year ending December 31, 2021 (RMB)	For the financial year ending December 31, 2022 (RMB)
Proposed annual caps on the aggregate service fees of the Agreements	<u>120,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>

The proposed annual caps on the aggregate service fees of the Agreements are determined based on: (i) the historical maintenance cost incurred for the expressways operated by the Group; (ii) comparable prices available in the market; (iii) the expected maintenance work required for the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, the Hanghui Expressway, the Huihang Expressway, the Shenjiahuhang Expressway, the Zhoushan Bay Bridge, Xintian Section of the Shangsang Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, and Yiwu Section of the Yidong Expressway from 2020 to 2022 and (iv) a reasonable buffer.

If the actual total amount of the service fees made by the Group under the Agreements shall exceed the abovementioned annual caps, the Company will re-comply with all applicable requirements under the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As subsidiaries of Communications Group, Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang fully understand the Group's business and operating needs, and maintains effective communication to provide more quality services to the Group. Each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang has the relevant qualifications and experience to provide the Maintenance Services to the Group.

In addition, the Company went through a tender process and obtained the relevant quotations from other independent service providers to select the service provider of the Maintenance Services. Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang finally won the respective tender.

The transactions contemplated under the Agreements are and will be conducted in the ordinary and usual course of business of the Group, and the consideration paid by the Group to Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang will not be higher than the average market price and will not be less favourable than those provided by other independent service providers 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 Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 (as defined under the Listing Rules) of the Company. As at the date of this announcement, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is an indirect subsidiary of Communications Group. Therefore, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is a connected person of the Company and as a result, the respective transactions contemplated under the Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the respective transactions contemplated under the Agreements 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.

Mr. Yu Zhihong, Mr. Dai Benmeng, Mr. Yu Qunli and Mr. Yu Ji, being Directors, are deemed to have material interests in the Agreements 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 Agreements, and none are required to abstain from voting on the relevant Board resolutions.

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.

Maintenance Co is a subsidiary of Communications Group which is established under the laws of the PRC on January 28, 2014. Maintenance Co is principally engaged in the construction of transportation projects and maintenance of toll road.

Jiaogong Maintenance is a subsidiary of Communications Group which is established under the laws of the PRC on January 18, 2006. Jiaogong Maintenance is principally engaged in the construction of transportation projects and maintenance of toll road.

Zhejiang Shunchang is a subsidiary of Communications Group which is established under the laws of the PRC on November 11, 2003. Zhejiang Shunchang is principally engaged in the construction of transportation projects and maintenance of toll road.

DEFINITIONS

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

“Agreements”	collectively, the Daily Road Maintenance (First Contract Section) Agreements, the Daily Road Maintenance (Second Contract Section) Agreements, and the Daily Road Maintenance (Third Contract Section) Agreements
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Daily Road Maintenance (First Contract Section) Agreements”	the agreements dated December 27, 2019 entered into between Jiaxing Co, Hangzhou Management Office, Shaoxing Management Office, Ningbo Management Office, Shangshen Management Office, Hanghui Co, and Huihang Co, on the one hand separately, and Maintenance Co. on the other hand, in relation to the provision of road maintenance and repair services in respect of four expressways operated by the Group
“Daily Road Maintenance (Second Contract Section) Agreements”	the agreements dated December 27, 2019 entered into between Shenjiahuhang Co and Zhoushan Co separately and Jiaogong Maintenance in relation to the provision of road maintenance and repair services in respect of two expressways operated by the Group
“Daily Road Maintenance (Third Contract Section) Agreements”	the agreements dated December 27, 2019 entered into between Jinhua Co and Xintian Management Office separately and Zhejiang Shunchang in relation to the provision of road maintenance and repair services in respect of three expressways operated by the Group
“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
“Hanghui Co”	Zhejiang Hanghui Expressway Co., Ltd* (浙江杭徽高速公路有限公司), a 88.674% owned subsidiary of the Company
“Hangzhou Management Office”	Hangzhou Management Office of the Company* (浙江滬杭甬高速公路股份有限公司杭州管理處), a direct subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huihang Co”	Huangshan Changjiang Huihang Expressway Co., Ltd* (黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company

“Jiaogong Maintenance”	Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd* (浙江交工高等級公路養護有限公司), an indirectly non-wholly owned subsidiary of Communications Group
“Jiaxing Co”	Zhejiang Jiaxing Expressway Co., Ltd* (浙江嘉興高速公路有限責任公司), a 99.9995% owned subsidiary of the Company
“Jinhua Co”	Zhejiang Jinhua Yongjin Expressway Co., Ltd* (浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Maintenance Co”	Zhejiang Expressway Maintenance Co., Ltd* (浙江滬杭甬養護工程有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of Communications Group
“Maintenance Services”	day-to-day maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance
“Ningbo Management Office”	Ningbo Management Office of the Company* (浙江滬杭甬高速公路股份有限公司寧波管理處), a direct subsidiary of the Company
“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 Agreements”	includes the Previous Daily Road Maintenance Agreements and the Previous Shenjiahuhang Daily Road Maintenance Agreements

“Previous Daily Road Maintenance Agreements”	the daily road maintenance agreements entered into between the Company, the relevant subsidiaries of the Company and Maintenance Co on May 14, 2019, pursuant to which Maintenance Co agreed to provide Maintenance Services in respect of the Shanghai-Hangzhou-Ningbo Expressway, the Shangsans Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and the Hanghui Expressway
“Previous Shenjiahuhang Daily Road Maintenance Agreements”	a number of road maintenance agreements entered into between Shenjiahuhang Co, Zhoushan Co and Jiaogong Maintenance separately on May 14, 2019, pursuant to which Jiaogong Maintenance agreed to provide Maintenance Services in respect of the Shenjiahuhang Expressway and the Zhoushan Bay Bridge
“RMB”	Renminbi, the lawful currency of the PRC
“Shangshen Management Office”	Shangshen Management Office of Zhejiang Shangsans Expressway Co., Ltd* (浙江上三高速公路有限公司上嵊管理處), a direct subsidiary of the Company
“Shaoxing Management Office”	Shaoxing Management Office of the Company* (浙江滬杭甬高速公路股份有限公司紹興管理處), a direct subsidiary of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shenjiahuhang Co”	Zhejiang Shenjiahuhang Expressway Co., Ltd* (浙江申嘉湖杭高速公路有限公司), a limited liability company established in the PRC and a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Xintian Management Office”	Xintian Management Office of Zhejiang Shangsans Expressway Co., Ltd* (浙江上三高速公路有限公司新天管理處), an indirect subsidiary of the Company
“Zhejiang Shunchang”	Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd* (浙江順暢高等級公路養護有限公司), a non-wholly owned subsidiary of Communications Group

“Zhoushan Co”

Zhejiang Zhoushan Bay Bridge Co., Ltd* (浙江舟山跨海大橋有限公司), a 51% owned subsidiary of Shenjiahuhang Co

“%”

per cent

* *For identification purposes only*

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

Hangzhou, the PRC, December 27, 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.