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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 DEDICATED ROAD MAINTENANCE AGREEMENTS

THE DEDICATED ROAD MAINTENANCE (FIRST CONTRACT SECTION) AGREEMENTS

On April 20, 2020, the Company, Jiaxing Co, Shangsans Co, Hanghui Co and Huihang Co respectively entered into the Dedicated Road Maintenance (First Contract Section) Agreements with Maintenance Co, pursuant to which Maintenance Co agreed to undertake the Maintenance Projects to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, Shangshen Section of the Shangsans Expressway, the Hanghui Expressway and the Huihang Expressway.

THE DEDICATED ROAD MAINTENANCE (SECOND CONTRACT SECTION) AGREEMENTS

On April 20, 2020, Shenjiahuhang Co and Zhoushan Co respectively entered into the Dedicated Road Maintenance (Second Contract Section) Agreements with Jiaogong Maintenance, pursuant to which Jiaogong Maintenance agreed to undertake the Maintenance Projects to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge.

THE DEDICATED ROAD MAINTENANCE (THIRD CONTRACT SECTION) AGREEMENTS

On April 20, 2020, Jiaxing Co, Shangsans Co, Jinhua Co and Hanghui Co respectively entered into the Dedicated Road Maintenance (Third Contract Section) Agreements with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to undertake (i) the Maintenance Projects to two expressways operated by the Group, namely Xintian Section of the Shangsans Expressway and Jinhua Section of the Yongjin Expressway, and (ii) Pavement Maintenance Projects to two expressways operated by the Group, namely Jiaxing Section of the Shanghai-Hangzhou-Ningbo Expressway and the Hanghui 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.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Agreements are required to be aggregated with the respective transactions contemplated under the Previous Daily Road Maintenance Agreements which were continuing connected transactions entered into with the same connected persons.

As the applicable percentage ratios in respect of the aggregated annual cap for transactions contemplated under the Agreements and the Previous Daily Road Maintenance Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Agreements and the Previous Daily Road Maintenance 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 DEDICATED ROAD MAINTENANCE (FIRST CONTRACT SECTION) AGREEMENTS

Jiaxing Co, Shangshan Co, Hanghui Co and Huihang Co entered into the Dedicated Road Maintenance (First Contract Section) Agreements with Maintenance Co on April 20, 2020, pursuant to which Maintenance Co agreed to undertake Maintenance Projects to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, Shangshen Section of the Shangsans Expressway, the Hanghui Expressway, and the Huihang Expressway, which shall be completed on or prior to November 30, 2020.

Principal terms of the Dedicated Road Maintenance (First Contract Section) Agreements are summarised as below:

- Date: April 20, 2020
- Parties: (1) the Company, Jiaxing Co, Shangsang Co, Hanghui Co and Huihang Co respectively; and
(2) Maintenance Co
- Term: The service period is from April 20, 2020 to November 30, 2020, followed by a defect liability period of two years.
- Subject Matter: Maintenance Co agreed to undertake Maintenance Projects, namely dedicated maintenance projects including pavement diseases treatment, bridgeheads overlays, sloping maintenance, bridge decks repair, and signs, markings, guardrail upgrades and tunnel maintenance and etc..
- Service Fees: The total service fees payable by the Group to Maintenance Co will be RMB211,648,650 (equivalent to approximately HK\$232,175,265).

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 March 11, 2020, Maintenance Co was the lowest bidder and successfully obtained the highest overall score among all the bidders, and therefore won the above tender.

Terms of payment:

The payment will be made in two separate installments as follows:

- (i) 97% of the service fees to be payable upon completion of the Dedicated Maintenance Services; and
- (ii) 3% of the service fees to be payable within 15 days after the completion acceptance and the finalisation of the completion and settlement report.

Governing Law:

The laws of the PRC.

THE DEDICATED ROAD MAINTENANCE (SECOND CONTRACT SECTION) AGREEMENTS

Shenjiahuhang Co and Zhoushan Co respectively entered into the Dedicated Road Maintenance (Second Contract Section) Agreements with Jiaogong Maintenance on April 20, 2020, pursuant to which Jiaogong Maintenance agreed to undertake Maintenance Projects to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge, which shall be completed on or prior to November 30, 2020.

Principal terms of the Dedicated Road Maintenance (Second Contract Section) Agreements are summarised as below:

- Date: April 20, 2020

- Parties: (1) Shenjiahuhang Co and Zhoushan Co respectively;
and
(2) Jiaogong Maintenance

- Term: The service period is from April 20, 2020 to November 30, 2020, followed by a defect liability period of two years.

- Subject Matter: Jiaogong Maintenance agreed to undertake Maintenance Projects, namely dedicated maintenance projects including pavement diseases treatment, bridgeheads overlays, sloping maintenance, bridge decks repair, and signs, markings, guardrail upgrades and tunnel maintenance and etc..

- Service Fees: The total service fees payable by the Group to Jiaogong Maintenance shall be RMB70,496,666 (equivalent to approximately HK\$77,333,742).

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 March 11, 2020, Jiaogong Maintenance was the lowest bidder and successfully obtained the highest overall score among all the bidders, and therefore won the above tender.

Terms of payment:

The payment will be made in two separate installments as follows:

- (i) 97% of the service fees to be payable upon completion of the Dedicated Maintenance Services; and
- (ii) 3% of the service fees to be payable within 15 days after the completion acceptance and the finalisation of the completion and settlement report.

Governing Law:

The laws of the PRC.

THE DEDICATED ROAD MAINTENANCE (THIRD CONTRACT SECTION) AGREEMENTS

Jiaxing Co, Shangsans Co, Yongjin Co and Hanghui Co respectively entered into the Dedicated Road Maintenance (Third Contract Section) Agreement with Zhejiang Shunchang on April 20, 2020, pursuant to which Zhejiang Shunchang agreed to undertake Maintenance Projects to two expressways operated by the Group, namely Xintian Section of the Shangsans Expressway and Jinhua Section of the Yongjin Expressway, and undertake Pavement Maintenance Projects to two expressways operated by the Group, namely Jiaxing Section of the Shanghai-Hangzhou-Ningbo Expressway and the Hanghui Expressway, which shall be completed on or prior to November 30, 2020.

Principal terms of the Dedicated Road Maintenance (Third Contract Section) Agreements are summarised as below:

- Date: April 20, 2020

- Parties: (1) Jiaxing Co, Shangsans Co, Yongjin Co and Hanghui Co respectively; and
(2) Zhejiang Shunchang

- Term: The service period is from April 20, 2020 to November 30, 2020, followed by a defect liability period of two years.

- Subject Matter: Zhejiang Shunchang agreed to undertake the Maintenance Projects to two expressways operated by the Group, namely Xintian Section of the Shangsans Expressway and Jinhua Section of the Yongjin Expressway, and undertake the Pavement Maintenance Projects to two expressways operated by the Group, namely Jiaxing Section of the Shanghai-Hangzhou-Ningbo Expressway and the Hanghui Expressway.

- Service Fees: The total service fees payable by the Group to Zhejiang Shunchang shall be RMB81,302,944 (equivalent to approximately HK\$89,188,060).

Basis of Service Fees

The service fees were determined as a result of public tender. Other than Zhejiang Shunchang, there were two 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 March 11, 2020, Zhejiang Shunchang was the lowest bidder and successfully obtained the highest overall score among all the bidders, and therefore won the above tender.

Terms of payment:

The payment will be made in two separate installments as follows:

- (i) 97% of the service fees to be payable upon completion of the Dedicated Maintenance Services; and
- (ii) 3% of the service fees to be payable within 15 days after the completion acceptance and the finalisation of the completion and settlement report.

Governing Law:

The laws of the PRC.

PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION

In accordance with Rule 14A.53 of the Listing Rules, the Company is required to set annual cap on the total amount of the Agreements payable by the Group. The proposed annual cap on the aggregate service fees of the Agreements payable by the Group for the financial years ending December 31, 2020 is RMB364,000,000 (equivalent to approximately HK\$399,302,318).

The proposed annual cap 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 services required for the expressways under the Agreements in 2020 taking into account of a reasonable buffer.

Pursuant to each of the Dedicated Road Maintenance (First Contract Section) Agreements the Road Maintenance Designated Project (Second Contract Section) Agreements and the Road Maintenance Designated Project (Third Contract Section) Agreements, the total service fees payable by the Group to Maintenance Co is RMB211,648,650, RMB70,496,666 and RMB81,302,944 respectively in 2020. The aggregate services fees of the Agreements are RMB363,448,260 (equivalent to approximately HK\$398,697,068), which do not exceed the proposed annual cap. If the actual total amount of the service fees made by the Group under the Agreements shall exceed the abovementioned annual cap, 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 tenders.

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, respectively, 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.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Agreements are required to be aggregated with the respective transactions contemplated under the Previous Daily Road Maintenance Agreements which were continuing connected transactions entered into with the same connected persons.

As the applicable percentage ratios in respect of the aggregated annual cap for transactions contemplated under the Agreements and the Previous Daily Road Maintenance Agreements are more than 0.1% but less than 5%, the transactions contemplated under the Agreements and the Previous Daily Road Maintenance 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. Yuan Yingjie and Mr. Yu Ji, being Directors, are deemed to have material interests in the Agreements as they are currently also employed by the 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 resolutions 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.

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

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

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

DEFINITIONS

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

“Agreements”	collectively the Dedicated Road Maintenance (First Contract Section) Agreements, the Dedicated Road Maintenance (Second Contract Section) Agreements and the Dedicated 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
“Dedicated Road Maintenance (First Contract Section) Agreements”	a series of agreements dated April 20, 2020 entered into between the Company and its various subsidiaries respectively on the one hand, and Maintenance Co. on the other hand, in relation to the provision of services for dedicated Maintenance Projects in respect of four expressways operated by the Group

“Dedicated Road Maintenance (Second Contract Section) Agreements”	a series of agreements dated April 20, 2020 entered into between Shenjiahuhang Co and Zhoushan Co separately and Jiaogong Maintenance in relation to the provision of services for dedicated Maintenance Projects in respect of two expressways operated by the Group
“Dedicated Road Maintenance (Third Contract Section) Agreements”	a series of agreements dated April 20, 2020 entered into between Jiaxing Co, Shangsang Co, Yongjin Co and Hanghui Co respectively and Zhejiang Shunchang in relation to provision of services for dedicated Maintenance Projects in respect of Xintian Section of the Shangshan Expressway and Jinhua Section of the Yongjin Expressway operated by the Group and services for Pavement Maintenance Projects in respect of Jiaxing Section of the Shanghai-Hangzhou-Ningbo Expressway and the Hanghui Expressway 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
“Huihang Co”	Huangshan Yangtse 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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), a 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 incorporated in the PRC and an indirect wholly-owned subsidiary of Communications Group
“Maintenance Projects”	dedicated road maintenance projects including pavement diseases treatment, bridgeheads overlays, sloping maintenance, bridge decks repair, signs, markings, guardrail upgrades and tunnel maintenance and etc.
“Pavement Maintenance Projects”	dedicated pavement maintenance projects including asphalt pavement on-site thermal regeneration and the maintenance works of using ultra-thin pavement wear layer
“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 Daily Road Maintenance Agreements”	the daily road maintenance agreements dated December 27, 2019 entered into between the Company, the relevant subsidiaries on the one hand, and Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang, on the other hand, pursuant to which Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang agreed to provide Maintenance Services in respect of certain expressways operated by the Group as provided in the announcement of the Company dated December 27, 2019

“RMB”	Renminbi, the lawful currency of the PRC
“Shangsan Co”	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a 73.625% owned 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 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 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 limited liability company established in the PRC on November 12, 2004 owned as to 51% by Shenjiahuhang Co as at the date of this announcement
“%”	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 HK\$1.0970.

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

Hangzhou, the PRC, April 20, 2020

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. YUAN Yingjie 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.