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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 TRANSACTIONS THE PROJECT CONTRACTS WITH ZJIC**

### **THE PROJECT CONTRACTS**

#### **The Accident-Prone Areas Improvement Contracts**

On June 30, 2022 (after trading hours), the Company and the relevant subsidiary entered into the Accident-Prone Areas Improvement Contracts with ZJIC, pursuant to which the Company and the relevant subsidiary agreed to engage ZJIC for the provision of various services in relation to the traffic accident-prone areas improvement projects regarding certain parts of Xinchang to Baihe Section of Changtai Expressway and Hongken Hub of Hangzhou Bay Ring Expressway.

#### **The System Upgrade Design Contracts**

On June 30, 2022 (after trading hours), the Company and its various subsidiaries entered into the System Upgrade Design Contracts with ZJIC, pursuant to which the Company and its various subsidiaries agreed to engage ZJIC for the provision of various services in relation to the mechanical and electrical system upgrade design project of the Group.

#### **The Capacity Expansion Research Contracts**

On June 30, 2022 (after trading hours), the Company and its various subsidiaries entered into the Capacity Expansion Research Contracts with ZJIC, pursuant to which the Company and its various subsidiaries agreed to engage ZJIC for the provision of research services relating to the heavy traffic sections expansion research projects of Hangzhou Liuxia to Yuqian Section of the Hanghui Expressway, Hangzhou Hongken to Ningbo High Bridge Section of the Hangzhou-Ningbo Expressway, Fengjing to Shenshi Section of the Shanghai-Kunming Expressway, southern section of the Zhajiasu Expressway and the Shenjiahuhang Expressway.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. ZJIC, as a 55.08% owned subsidiary of Communications Group, is a connected person of the Company and as a result, the transactions contemplated under the Project Contracts 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 Project Contracts and the Previous Transactions were entered into or completed within a 12-month period with ZJIC, a connected person of the Company, the transactions contemplated under the Project Contracts 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 Project Contracts.

Pursuant to the Project Contracts, the total service fees payable by the Group to ZJIC is RMB22,877,658. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the Project Contracts, after aggregating with the Previous Transactions, is more than 0.1% but less than 5%, the Project Contracts are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **THE PROJECT CONTRACTS**

### **The Accident-Prone Areas Improvement Contracts**

On June 30, 2022 (after trading hours), the Company and the relevant subsidiary entered into the Accident-Prone Areas Improvement Contracts with ZJIC, pursuant to which the Company and the relevant subsidiary agreed to engage ZJIC for the provision of various services in relation to the traffic accident-prone areas improvement projects of certain parts of Xinchang to Baihe Section of Changtai Expressway and Hongken Hub of Hangzhou Bay Ring Expressway.

Principal terms of the Accident-Prone Areas Improvement Contracts are summarized as follows:

- Date: June 30, 2022 (after trading hours)
  
- Parties:
  - (i) the Company and the relevant subsidiary
  
  - (ii) ZJIC
  
- Subject matters: With respect to the traffic accident-prone areas improvement projects regarding certain parts of Xinchang to Baihe Section of Changtai Expressway and Hongken Hub of Hangzhou Bay Ring Expressway, ZJIC agreed to collect and analyze basic information, perform on-site surveying, prepare construction drawing and its budget, procure, install and test the equipment, develop the software and provide follow-up services and other technical consulting services etc..
  
- Term: Contract period of two months, trial operation period of three months and default liability period of 24 months
  
- Consideration and basis of consideration: Total consideration of RMB14,394,660  

The total consideration under the Accident-Prone Areas Improvement Contracts was determined by public tender procedures, in which, other than ZJIC, there were two other bidders who are independent third party service providers. The factors for assessment included, but were not limited to:

  - (i) business aspect: technical capability indicators of the goods, the relevant performance records of the bidders, the qualification and ability of the personnel to be involved in the project and the credibility of the bidder;
  
  - (ii) technical aspect: the understanding of the project, the analysis regarding the important and difficult points of the project and the reasonable suggestions, workload and planning arrangement, project quality guarantee measures, progress guarantee measures, training, examination and acceptance and provision of follow-up services; and
  
  - (iii) bidding price.

According to the evaluations of the assessment committee, ZJIC successfully obtained the highest overall score among all the bidders, and therefore won the tenders.

Terms of payment: First instalment: 20% of the consideration shall be paid to ZJIC after signing of the contract as prepayment.

Second instalment: up to 97% of the consideration shall be paid to ZJIC upon completion of the trial operation period, third party evaluation and examination and acceptance.

Third instalment: the remaining 3% of the consideration shall be paid to ZJIC upon expiry of the defect liability period.

### **The System Upgrade Design Contracts**

On June 30, 2022 (after training hours), the Company and its various subsidiaries entered into the System Upgrade Design Contracts with ZJIC, pursuant to which the Company and its various subsidiaries agreed to engage ZJIC for the provision of various services in relation to the mechanical and electrical system upgrade design project of the Group.

Principal terms of the System Upgrade Design Contracts are summarized as follows:

Date: June 30, 2022 (after trading hours)

Parties: (i) the Company and its various subsidiaries  
(ii) ZJIC

Subject matters: With respect to the mechanical and electrical system upgrade design project, ZJIC agreed to prepare the construction drawing, the technical specification, the bill of quantities for the construction and budget documents, provide follow-up services and conduct other technical consultation etc..

Term: 12 months

Consideration and basis of consideration: The consideration of not more than RMB4,302,998 shall be payable by the Group to ZJIC.

The total consideration under the System Upgrade Design Contracts was determined by public tender procedures, in which, other than ZJIC, there were two other bidders who are independent third party service providers. The factors for assessment included, but were not limited to:

- (i) business aspect: the relevant performance records of the bidders, the qualification and ability of the personnel to be involved in the project and the credibility of the bidder;
- (ii) technical aspect: the understanding of the project and overall design roadmap, the understanding and measures in respect of the design features and key technical issues of the project, design workload and planning arrangement, design quality guarantee measures, progress guarantee measures and arrangement and guarantee measures of the follow-up services; and
- (iii) bidding price.

According to the evaluation of the assessment committee, ZJIC successfully obtained the highest overall score among all the bidders, and therefore won the tender.

Terms of payment: First instalment: 50% of the consideration shall be paid to ZJIC after submission of the formal construction drawing.

Second instalment: the remaining portion of consideration shall be paid to ZJIC after examination and acceptance of the project.

**The Capacity Expansion Research Contracts**

On June 30, 2022 (after trading hours), the Company and its various subsidiaries entered into the Capacity Expansion Research Contracts with ZJIC, pursuant to which the Company and its various subsidiaries agreed to engage ZJIC for the provision of various services relating to the heavy traffic sections expansion research projects of Hangzhou Liuxia to Yuqian Section of the Hanghui Expressway, Hangzhou Hongken to Ningbo High Bridge Section of the Hangzhou-Ningbo Expressway, Fengjing to Shenshi Section of the Shanghai-Kunming Expressway, southern section of the Zhajiasu Expressway and the Shenjiahuhang Expressway.

Principal terms of the Capacity Expansion Research Contracts are summarized as follows:

- Date: June 30, 2022 (after trading hours)
  
- Parties:
  - (i) the Company and its various subsidiaries
  - (ii) ZJIC
  
- Subject matters: With respect to the heavy traffic sections expansion research projects, ZJIC agreed to complete the traffic analysis and forecast, route plan research, road section plan research, bridge plan research, road crossing research, investment estimation, compile formal planning demonstration documents for submission and cooperate to complete the project planning submission etc..
  
- Term: Until completion of the research projects
  
- Consideration and basis of consideration: Total consideration of RMB4,180,000  

The total consideration under the Capacity Expansion Research Contracts was determined by comparison of the quotations provided to the Group, in which, other than ZJIC, there were two other bidders who are independent third party service providers. The factors for assessment included, but were not limited to:

  - (i) business aspect: the relevant performance records of the bidders, the qualification and ability of the personnel to be involved in the project and the credibility of the bidder;

(ii) technical aspect: the understanding of the project and research roadmap, the key research features of the project and technical adoption difficulty of the project and the way of adoption, plan arrangement, research quality guarantee measures, progress guarantee measures, follow-up services arrangement and guarantee measures; and

(iii) bidding price.

According to the evaluation of the assessment committee, ZJIC successfully obtained the highest overall score among all the bidders, and therefore won the tender.

Terms of payment:

(i) In respect of payment for the research projects regarding the Hangzhou-Ningbo Expressway and the Shanghai-Kunming Expressway:

First instalment: 70% of the consideration shall be paid to ZJIC within 90 days after the examination and acceptance of the research report.

Second instalment: the remaining portion of consideration shall be paid to ZJIC after the construction being included in the provincial planning.

(ii) In respect of payment for the research projects regarding the remaining expressways:

All the consideration shall be paid to ZJIC within 60 days after the consultation report having been reviewed and amended and the submission of the official report.

## **REASONS FOR AND BENEFITS OF THE PROJECT CONTRACTS**

In respect of the Accident-Prone Areas Improvement Contracts, as the concerned traffic accident-prone areas have been included in the list of improvement targets by the provincial government, it is expected such contracts would aid the Group in improving the road safety of those expressway sections and they will no longer be in the improvement list after the improvement works. In respect of the System Upgrade Design Contracts, it is expected such contracts would allow the Group to standardize, unify and institutionalize the mechanical and electrical system of the Group. In respect of the Capacity Expansion Research Contracts, it is expected that the researches would lay the foundation for determining the expressway reconstruction and expansion strategies in the future and enable the Group to enhance the traffic capacity of the concerned expressways in the long run, which may lead to smoothen the traffic during peak hours and increase the operation efficiency of the Group.

In view of the fact that ZJIC has significant extensive experience in the provision of surveying, engineering procurement construction and design services in the field of expressways, ZJIC stood out in the bidding review process for its qualifications and expertise to provide the services in respect of the aforementioned projects. In addition, taking into account that as a 55.08% owned subsidiary of Communications Group, ZJIC is fully aware of the Company's operating needs, visions and goals regarding improving safety, standardizing the mechanical and electrical system and enlarging the traffic capacity of the expressways of the Group. The transactions contemplated under the Accident-Prone Areas Improvement Contracts, the System Upgrade Design Contracts and the Capacity Expansion Research Contracts are and will be conducted on normal commercial terms, where the consideration paid by the Group to ZJIC will not be higher than the average market price and will not be less favorable than those provided by independent third parties to the Company for similar services.

Given the above, the Directors (including the independent non-executive Directors) who are not required to abstain from voting in the relevant Board resolutions, are of the view that the terms of the Project Contracts are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF 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 is also engaged in expressway-related development and operation, as well as securities business.

ZJIC is a 55.08% owned subsidiary of Communications Group which is established under the laws of the PRC. ZJIC is principally engaged in the planning, research, surveying and mapping, design, consulting, engineering procurement construction and engineering test detection of infrastructure projects in fields of expressways, water transport, municipal engineering, rail transit, architecture, water conservancy and ecological environmental protection.



## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Communications Group is a controlling shareholder of the Company. ZJIC is a 55.08% owned subsidiary of Communications Group. Therefore, ZJIC is a connected person of the Company and as a result, the transactions contemplated under the Project Contracts 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 Project Contracts and the Previous Transactions were entered into or completed within a 12-month period with ZJIC, a connected person of the Company, the transactions contemplated under the Project Contracts 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 Project Contracts.

Pursuant to the Project Contracts, the total service fees payable by the Group to ZJIC is RMB22,877,658. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the Project Contracts, after aggregating with the Previous Transactions, are more than 0.1% but less than 5%, the Project Contracts are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Yu Zhihong, Mr. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang are currently employed by the Communications Group, they have abstained from voting at the board meeting at which the Project Contracts were considered and approved. Save for Mr. Yu Zhihong, Mr. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang, none of the Directors has any material interest in the Project Contracts or is required to abstain from voting on the relevant Board resolutions to approve the same.

## DEFINITIONS

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

“Accident-Prone Areas Improvement Contracts”	a series of contracts dated June 30, 2022 entered into between the Company, the relevant subsidiary and ZJIC for the provisions of various services in relation to the traffic accident-prone areas improvement projects regarding certain parts of Xinchang to Baihe Section of Changtai Expressway and Hongken Hub of Hangzhou Bay Ring Expressway
“Board”	the board of Directors
“Capacity Expansion Research Contracts”	a series of contracts dated June 30, 2022 entered into between the Company, its various subsidiaries and ZJIC for the provision of various services in relation to the heavy traffic sections expansion research projects of Hangzhou Liuxia to Yuqian Section of the Hanghui Expressway, Hangzhou Hongken to Ningbo High Bridge Section of the Hangzhou-Ningbo Expressway, Fengjing to Shenshi Section of the Shanghai-Kunming Expressway, southern section of the Zhajiasu Expressway and the Shenjiahuhang Expressway
“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, 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 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 or completed within a 12-month period prior to the date of the Project Contracts between or among the Company and its relevant subsidiaries and ZJIC in relation to various survey and designing services
“Project Contracts”	collectively, the Accident-Prone Areas Improvement Contracts, the System Upgrade Design Contracts and the Capacity Expansion Research Contracts
“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
“System Upgrade Design Contracts”	a series of contracts dated June 30, 2022 entered into between the Company, its various subsidiaries and ZJIC in relation to the provision of various services in relation to the mechanical and electrical system upgrade design project of the Group

“ZJIC” Zhejiang Institute of Communications Co., Ltd.\* (浙江數智交院科技股份有限公司) a joint stock limited company established in the PRC and a 55.08% owned subsidiary of Communications Group as at the date of this announcement

“%” per cent

\* *For identifications only.*

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

Hangzhou, the PRC, June 30, 2022

*As at the date of this announcement, the Chairman of the Company is Mr. YU Zhihong; the executive Directors of the Company are: Mr. CHEN Ninghui and Mr. YUAN Yingjie; the other non-executive Directors of the Company are: Mr. JIN Chaoyang, Mr. FAN Ye and Mr. HUANG Jianzhang; and the independent non-executive Directors of the Company are: Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa and Mr. CHEN Bin.*