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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 PROJECT IMPROVEMENT AGREEMENTS WITH ZJIC

THE PROJECT IMPROVEMENT AGREEMENTS

On September 26, 2022, the Company and its relevant subsidiaries entered into the Project Improvement Agreements with ZJIC, including: (i) the Traffic Congestion Project Improvement Agreement; (ii) Traffic Safety Comprehensive Project Improvement Agreement; and (iii) Traffic Signs Upgrade Agreement. Pursuant to the Project Improvement Agreements, the Company and its relevant subsidiaries agreed to engage ZJIC for the provision of a series of services to improve traffic congestion of certain expressways owned by the Group, eliminate potential traffic safety risks of Jiaxing Section of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway and upgrade part of the traffic signs of Shaoxing Section of Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company and is a controlling shareholder of the Company. As at the date of this announcement, 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 Improvement Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Project Improvement Agreements 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 Improvement Agreements and the Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratio to determine the classification of the transactions contemplated under the Project Improvement Agreements.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions contemplated under the Project Improvement Agreements, after aggregating with the Previous Transactions, is more than 0.1% but less than 5%, the transactions contemplated under the Project Improvement Agreements will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE PROJECT IMPROVEMENT AGREEMENTS

Principal terms of each of the Project Improvement Agreements are summarised as below:

Date: September 26, 2022

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

Subject matters ZJIC agreed to collect and analyse basic information, perform on-site surveying, prepare construction drawing and its budget, procure raw materials, install and adjustment the equipment, and provide follow-up services and other technical consultations for the purpose of, among others:-

- (i) *in relation to the Traffic Congestion Project Improvement Agreement:-*
improving the traffic congestion of certain expressways owned by the Group which are with high traffic flow and easily congested pursuant to the Traffic Congestion Project Improvement Agreement;

- (ii) *in relation to the Traffic Safety Comprehensive Project Improvement Agreement:-*
improving the ancillary traffic safety equipment and eliminating potential safety risks of Jiaxing Section of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway pursuant to the Traffic Safety Comprehensive Project Improvement Agreement; and
- (iii) *in relation to Traffic Signs Upgrade Agreement:-*
upgrading and enhancing the recognizability of part of road signs and improving the overall image of Shaoxing Section of Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway pursuant to the Traffic Signs Upgrade Agreement.

Term:

- (i) *in relation to the Traffic Congestion Project Improvement Agreement:-*
45 days of service period plus two years of defect liability period.
- (ii) *in relation to the Traffic Safety Comprehensive Project Improvement Agreement and the Traffic Signs Upgrade Agreement:-*
60 days of service period plus two years of defect liability period.

Consideration and basis of consideration:

- (i) *in relation to the Traffic Congestion Project Improvement Agreement: -*
RMB4,934,122
- (ii) *in relation to the Traffic Safety Comprehensive Project Improvement Agreement:-*
RMB4,071,021
- (iii) *in relation to the Traffic Signs Upgrade Agreement:-*
RMB2,766,191

The considerations under the Project Improvement Agreements were determined by public selection and fee quotation procedures, in which, other than ZJIC, there were two other bidders who are independent third party service providers participated for each of the projects. The factors for assessment included, but were not limited to,

- (i) business aspect: the enterprise performance of the bidders, the performance of the person-in-charge of the project, 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, analysis of the critical and difficult issues and provision of feasible suggestions, workload and planning arrangement, project quality guarantee measures and progress guarantee measures; and
- (iii) bidding price.

According to the evaluation by the assessment committee in August 2022, ZJIC successfully obtained the highest overall score among all the bidders for each of the projects, and therefore won the above tenders.

Terms of payment

First instalment: 97% of the consideration shall be paid to ZJIC upon examination and acceptance of the relevant projects under the Project Improvement Agreements.

Second instalment: the remaining 3% of the consideration shall be paid upon expiry of the two-year defect liability period.

Governing Law:

The laws of the PRC.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Upon completion, the projects will effectively reduce the traffic congestion of certain high traffic flow expressways owned by the Group, prevent and control potential safety risks of Jiaxing Section of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway and improve the overall image of Shaoxing Section of Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway.

In view of the fact that ZJIC has extensive experience in improvement works for expressways, ZJIC stood out in the tender review process for its qualifications and expertise to provide the services required 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 and maintains effective communication to provide quality surveying and design services to the Company. The transactions contemplated under the Project Improvement Agreements are and will be conducted in the ordinary and usual course of business of the Company, and 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.

The Directors (including independent non-executive Directors) who are not required to abstain from voting in the relevant Board meeting are of the opinion that, the Project Improvement Agreements are entered into during the usual and ordinary course of business of the Company on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and its 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..

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 holds approximately 67% of the issued share capital of the Company and is a controlling shareholder of the Company. As at the date of this announcement, 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 Improvement Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Project Improvement Agreements 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 Improvement Agreements and the Previous Transactions are required to be aggregated for the calculation of the relevant percentage ratio to determine the classification of the transactions contemplated under the Project Improvement Agreements.

The Previous Transactions refer to a total of 24 transactions entered into or completed within a 12-month period prior to the date of this announcement between the Group and ZJIC in relation to the provision of surveying and design services, which consist of the Project Design Contract (as defined and disclosed in the announcement of the Company dated February 17, 2022), the Project Contracts (as defined and disclosed in the announcement of the Company dated June 30, 2022) and 19 other transactions. The said 19 other transactions were below the de minimis thresholds and were fully exempt from all reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules until the transactions set out in this announcement. The key terms of those 19 other transactions, such as nature of transaction, basis of consideration and terms of payment, largely resemble those of the Project Design Contract, the Project Contracts and/or the Project Improvement Agreements. The Previous Transactions primarily relate to the provision of surveying and design services by ZJIC to the Group. The individual consideration payable by the Group ranges from approximately RMB57,000 to RMB11,037,200 and the aggregate amount of the consideration payable by the Group to ZJIC for the Previous Transactions amounts to approximately RMB37,449,000.

Pursuant to the Project Improvement Contracts, the total service fees payable by the Group to ZJIC is RMB11,771,334. As the highest applicable percentage ratio in respect of the transactions contemplated under the Project Improvement Agreements, after aggregating with the Previous Transactions, is more than 0.1% but less than 5%, the transactions contemplated under the Project Improvement Agreements will be subject to the reporting and announcement requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Yu Zhihong, Mr. Jin Chaoyang, Mr. Fan Ye and Mr. Huang Jianzhang, being Directors, are deemed to have material interests in the Project Improvement Agreements as they are currently also employed by Communications Group and have abstained from voting on the relevant Board resolutions. Other than the Directors mentioned above, none of the Directors have a material interest in the transactions contemplated under the Project Improvement Agreements, and none are required to abstain from voting on the relevant resolutions of the Board.

DEFINITIONS

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

“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
“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”	a series of agreements entered into or completed within a 12-month period prior to the date of the Project Improvement Agreements between or among the Company and its relevant subsidiaries and ZJIC in relation to surveying and design services
“Project Improvement Agreements”	collectively, the Traffic Congestion Improvement Agreement, Traffic Safety Comprehensive Improvement Agreement and Traffic Signs Upgrade Agreement dated September 26, 2022 between the Company and its relevant subsidiaries and ZJIC
“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
“Traffic Congestion Project Improvement Agreement”	the traffic congestion project improvement agreement dated September 26, 2022 entered into between the Company and its relevant subsidiaries and ZJIC, pursuant to which the Company and its relevant subsidiaries agreed to engage ZJIC for the provision of various services for the improvement of the traffic congestion of the certain expressways owned by the Group

“Traffic Safety
Comprehensive Project
Improvement Agreement”

the traffic safety comprehensive project improvement agreement dated September 26, 2022 entered into between the Company and its relevant subsidiaries and ZJIC, pursuant to which the Company and its relevant subsidiaries agreed to engage ZJIC for the provision of various services for the elimination of potential traffic safety of Jiaxing Section of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway owned by the Group

“Traffic Signs Upgrade
Agreement”

the traffic safety upgrade agreement dated September 26, 2022 entered into between the Company and its relevant subsidiaries and ZJIC, pursuant to which the Company and its relevant subsidiaries agreed to engage ZJIC for the provision of various services for the upgrade of part of the traffic signs of Shaoxing Section of Hangzhou-Ningbo Expressway, Shangsan Expressway and Ningbo-Jinhua Expressway owned by the Group

“%”

per cent.

* *For identification purposes only*

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

Hangzhou, the PRC, September 26, 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.