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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 TRANSACTION ENTRUSTED MANAGEMENT AGREEMENT

ENTRUSTED MANAGEMENT AGREEMENT

On December 29, 2022, the Company entered into the Entrusted Management Agreement with Hangxuan Co, a wholly-owned subsidiary of the Communications Group, pursuant to which Hangxuan Co shall entrust the Company to take over the operation and management of Linjian 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, Hangxuan Co is a wholly-owned subsidiary of Communications Group. Therefore, Hangxuan Co is a connected person of the Company and as a result, the transaction contemplated under the Entrusted Management Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.83 of the Listing Rules, the transaction contemplated under the Entrusted Management Agreement is conducted with the associate of the same connected person (i.e. the Communications Group) and is thus required to be aggregated with the respective transactions carried out on a continuing basis under the Previous Agreements.

As the highest applicable percentage ratio in respect of the aggregated annual cap for transaction contemplated under the Entrusted Management Agreement and the respective transactions carried out on a continuing basis under the Previous Agreements is more than 0.1% but less than 5%, the transaction contemplated under the Entrusted Management Agreement 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 ENTRUSTED MANAGEMENT AGREEMENT

Principal terms of the Entrusted Management Agreement are summarized as below:

- Date: December 29, 2022
- Parties: (1) Hangxuan Co (as the principal) and
(2) the Company (as the trustee)
- Scope of entrusted operation and management: The Company is entrusted to take charge of the management of the assets, interests, rights and obligations of Linjian Expressway and related structures, attachments and corresponding toll road rights, including but not limited to the daily management of the party, work union and youth league organizations, maintenance, operation and management of the Linjian Expressway and its supporting services such as wrecker and rescue, road overhaul, safety management, operation management of the service area and parking area, financial management, organizational management, performance appraisal and personnel management.
- Other than the scope of entrusted operation and management stated above, the following scope, including but not limited to the remaining issues arising during the project construction period, the delivery acceptance and inspection, the final accounts of completion and completion-based check and acceptance, the disputes arising therefrom and the financial management in relation to the project construction do not fall into the scope of entrusted management entrusted to the Company.
- Term of entrusted management: From December 30, 2022 to June 30, 2024.
- The term of entrusted management may be terminated in advance upon agreement by the parties. Parties shall negotiate whether to extend the terms three months before the Entrusted Management Agreement expires and shall execute a separate agreement to effect the extension if necessary.

Entrusted management service fee and payment method: It is expected that the annual entrusted management service fee receivable under the Entrusted Management Agreement would not exceed the cap amount of RMB3,500,000.

The annual entrusted management service fee shall be paid within one month after the receipt and acknowledgement of the settlement notice issued by the Company, pursuant to the terms of the Entrusted Management Agreement.

Pricing policy: The entrusted management service fee shall be calculated in accordance with the following formula:

$$\left(\frac{1}{2} \times \frac{\text{Toll revenue of Linjian Expressway}}{\text{Toll revenue of expressways managed by the Company}} + \frac{1}{2} \times \frac{\text{Length of Linjian Expressway}}{\text{Length of expressways managed by the Company}} \right) \times \text{Total administrative cost for toll road operations of the Company}$$

The maximum annual entrusted management service fee payable is determined after arm’s length negotiations between the parties with reference to the Company’s operation and management experience of toll expressways and estimation of potential revenue, cost and expenses arising from operation and management of Linjian Expressway and all the other expressways which are operated and managed by the Company. Same standards for all other expressways operated and managed by the Company have been applied with respect to the estimation of entrusted management service fee receivable.

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 Entrusted Management Agreement receivable by the Company.

The proposed annual cap on the entrusted management service fee of the Entrusted Management Agreement during the term of entrusted management commencing from December 30, 2022 and ending June 30, 2024 shall not exceed RMB3,500,000.

The proposed annual cap on the entrusted management service fee of the Entrusted Management Agreement is determined based on: (i) the Company’s operation and management experience of toll expressways; (ii) entrusted management service fees charged by the Company in relation to the Company’s operation and management of other roads and expressways; and (iii) the length of Linjian Expressway and the estimated revenue that may be derived from the operation of Linjian Expressway.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company has accumulated relatively mature management experience and possessed competent management skill in the aspects of the management business in relation to toll, road maintenance, information and electrical technology and road property safety. Entering into the Entrusted Management Agreement shall further expand the road property portfolio managed by the Company. It will also facilitate the Company to pool its resources for professional management, which is conducive to centralized resource allocation, management cost reduction, performance enhancement and competitiveness improvement of the Company in the expressway management and maintenance market.

The Directors (including independent non-executive Directors) are of the opinion that, the Entrusted Management Agreement is entered into 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.

Hangxuan Co is a wholly-owned subsidiary of Communications Group which was established under the laws of the PRC. Hangxuan Co is principally engaged in investment and development, construction, maintenance, management of expressways, rescue of vehicles, leasing of equipment, retailing of tobacco, sale of food, books, construction materials, lubricant oils, stationery and flowers, development of information technology and internet technology, design, production and publication of domestic advertisements.

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, Hangxuan Co is wholly-owned subsidiary of Communications Group. Therefore, Hangxuan Co is a connected person of the Company and as a result, the transaction contemplated under the Entrusted Management Agreement constitutes continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.83 of the Listing Rules, the transaction contemplated under the Entrusted Management Agreement is conducted with the associate of the same connected person (i.e. the Communications Group) and is thus required to be aggregated with the respective transactions carried out on a continuing basis under the Previous Agreements.

The Previous Agreements refer to a total of seven transactions entered into in relation to the provision of entrusted management services of expressways, which consist of the entrusted management agreements entered into with North Channel Co and Jiaxiao Co (as defined and disclosed in the announcement of the Company dated September 21, 2022), Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co (as defined and disclosed in the announcement of the Company dated December 13, 2021) and two other continuing connected transactions which fell 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 the announcement of the Company dated December 13, 2021. The key terms of those two other transactions, including nature of transaction, basis of consideration and terms of payment, largely resemble those of the Entrusted Management Agreements.

The Previous Agreements primarily relate to the provision of entrusted management of expressways by the Group. The individual entrusted management service fee receivable by the Group ranges from RMB1,000,000 to RMB4,500,000 and the aggregate amount of the entrusted management service fees receivable by the Group under the Previous Agreements amounts to RMB18,500,000.

As the highest applicable percentage ratio in respect of the aggregated annual cap for transaction contemplated under the Entrusted Management Agreement and the transactions carried out on a continuing basis under the Previous Agreements is more than 0.1% but less than 5%, the transaction contemplated under the Entrusted Management Agreement 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. Yuan Yingjie, Mr. Fan Ye and Mr. Huang Jianzhang, being Directors, are deemed to have material interests in the Entrusted Management Agreement 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 transaction contemplated under the Entrusted Management Agreement, 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 state-controlled 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
“Director(s)”	the director(s) of the Company
“Entrusted Management Agreement”	The agreement dated December 29, 2022 between the Company and Hangxuan Co in relation to the management of Linjian Expressway
“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
“Hangxuan Co”	Zhejiang Hangxuan Expressway Co., Ltd* (浙江杭宣高速公路有限公司), a wholly-owned subsidiary of Communications Group as at the date of this announcement
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Lanjian Expressway”	Lin’an to Jiande Section of Lanjin Expressway (臨金高速公路臨安至建德段) which is owned by Hangxuan Co.

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, 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 Agreements”	collectively, the agreements with respect to seven transactions entered into between the Company and the associates of the same connected person (i.e. the Communications Group) in relation to the provision of entrusted management services of expressways
“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
“%”	per cent.

* *For identification purposes only*

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

Hangzhou, the PRC, December 29, 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. YANG Xudong, 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.