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(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0576)

**DISCLOSEABLE TRANSACTION –
THE INVESTMENT AGREEMENT
AND JOINT INVESTMENT AGREEMENT**

THE INVESTMENT AGREEMENT AND JOINT INVESTMENT AGREEMENT

On March 27, 2023, the Company and Shaoxing Communications entered into the Investment Agreement in respect of the investment and implementation of the Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project, with Zhejiang Road and Transportation Management Center* and Shaoxing Road and Transportation Management Center*. And the Company will enter into the Joint Investment Agreement with Shaoxing Communications for the implementation of the Investment Agreement.

Pursuant to the Investment Agreement, the total investment of the Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project is approximately RMB13,711 million. The Company and Shaoxing Communications shall in aggregate invest not less than 20% of the total investment amount as Project Capital, being approximately RMB2,742.2 million from their own fund but not debt fund. Each the Company and Shaoxing Communications will afford 50% of the Project Capital.

The Company and Shaoxing Communications have jointly designated Shengxin Company as the Project Company to provide service for the Project, which will be granted concession rights to invest in, finance for, construct, operate and manage the Project.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transaction under the Investment Agreement and Joint Investment Agreement are more than 5% but less than 25%, the transaction under the Investment Agreement and the Joint Investment Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholder's approval requirement under the Listing Rules.

Based on the practice of similar projects in the market and current situation of the Project, the Directors do not anticipate there will be any further commitment to be afforded by the Company other than fifty percent (50%) of the Project Capital (i.e. approximately RMB1,371.1 million). If there is any material change during the process of the Project, the Company will comply with applicable disclosure and approval requirements under the Listing Rules such as providing updates by way of announcement or annual report, as the case maybe.

INTRODUCTION

The Board is pleased to announce that, on March 27, 2023, the Company and Shaoxing Communications entered into the Investment Agreement with Zhejiang Road and Transportation Management Center* (浙江省公路與運輸管理中心) and Shaoxing Road and Transportation Management Center* (紹興市公路與運輸管理中心) in respect of the investment and implementation of the Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project. And the Company will enter into the Joint Investment Agreement with Shaoxing Communications for the implementation of the Investment Agreement.

THE INVESTMENT AGREEMENT

Major terms of the Investment Agreement are set out as follows:

Date

March 27, 2023

Parties

- (1) Zhejiang Road and Transportation Management Center* and Shaoxing Road and Transportation Management Center*; and
- (2) Investors: the Company (as the leader), and Shaoxing Communications (as the member).

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, Zhejiang Road and Transportation Management Center* and Shaoxing Road and Transportation Management Center*, Shaoxing Communications and their ultimate beneficial owner(s) are third parties independent of the Company and are not connected persons of the Company.

Overview of the Project

The Project involves the renovation and expansion of the Ningbo-Jinhua Expressway (Shaoxing Section), starting near the junction of Fenghua, Ningbo and Xinchang, Shaoxing and ending at Baifengling Tunnel in Changle Town (located at the junction of Shengzhou, Shaoxing and Dongyang, Jinhua), with a total length of about 73.4 kilometers. The main line of the Project will undergo a “four-lane to eight-lane” construction.

Concession model

In accordance with the Ningbo-Jinhua Section (Shaoxing Section) of Ningbo-Jinhua Expressway Renovation Project Feasibility Report, the total investment amount of the Project is approximately RMB13,711 million. A breakdown of the total investment amount is set out below:

Item	Amount <i>(RMB in million)</i>
Construction and Installation Costs	7,710.98
Land Use and Demolition Compensation Fee	3,393.54
Other Costs of Engineering and Construction	522.65
Preparatory Fee	1,046.45
Financing Interests	<u>1,037.11</u>
Total	<u><u>13,710.73</u></u>

Such total investment amount is subject to the project budget estimates to be approved by the Zhejiang Provincial Development and Reform Commission. If the actual total investment amount exceeds the approved budgets, the Company and Shaoxing Communications shall take responsibility for such differences. The Company and Shaoxing Communications shall in aggregate invest not less than 20% of the total investment amount, being approximately RMB2,742.2 million (the “**Project Capital**”) from their own fund but not debt fund, which shall be paid within four years from the date of the Project Company established or designated.

The concession period of the Project includes the construction period and the tolling period. The expected construction period of the Project is 4 years. The tolling period is expected to be 25 years (300 months), subject to the approval from the People's Government of Zhejiang Province. Upon expiry of the concession period, the Project Company shall transfer Ningbo-Jinhua Expressway (Shaoxing Section), its auxiliary facilities and relevant materials to competent authority.

Project Company

Pursuant to the Investment Agreement, the Company and Shaoxing Communications shall establish or designate a project company for the implementation of the Project. The Project Company shall be responsible for fund raising, construction and implementation, operation and management, maintenance and repair, debt repayment and management of assets for the Project and enjoy the right of vehicle tolls, service facilities operation and advertising during the tolling period.

The Company and Shaoxing Communications have jointly designated Shengxin Company, the company currently operating the Shaoxing Section of Ningbo-Jinhua Expressway, as the service provider for the Project, which will be granted concession rights to invest in, finance for, construct, operate and manage the Project. Zhejiang Road and Transportation Management Center* and Shaoxing Road and Transportation Management Center* will enter into a concession agreement with the Project Company in due course.

Fund Raising

The Project Company shall take a variety of channels to raise other construction funds, in addition to the Project Capital which is funded by the Company and Shaoxing Communications.

A bank has issued a letter of intent in relation to the Project, and pursuant to which, the bank has inventively agreed to provide bank loans of RMB10,968.8 million, representing 80% of the total investment amount of approximately RMB13,711 million, subject to certain conditions. The Project Company will identify the best financing scheme and enter into financing agreement(s) with financing institutions directly.

If the Project Company is unable to obtain sufficient construction funds within the required period, the Company and Shaoxing Communications is obliged to act as guarantor to raise the corresponding construction funds.

JOINT INVESTMENT AGREEMENT

For the implementation of the Project, the Company and Shaoxing Communications will enter into the Joint Investment Agreement. Major terms of the Joint Investment Agreement are set out as follows:

Parties

- (1) the Company, and
- (2) Shaoxing Communications.

Subject Matters

The Company shall be the coordinator in investment of the Project, generally responsible for the internal coordination of the consortium, drawing up relevant agreements, leading the formation of the Project Company, putting the Project Capital in place in a timely manner, and assisting the Project Company in financing, construction, operation and transfer tasks of the Project.

Shaoxing Communications shall assist the Company to manage the Project, coordinate with the Company to identify the Project Company, put the Project Capital in place in a timely manner, and assist the Project Company in financing, construction, operation and transfer tasks of the Project.

After the Project Company is determined, the Company and Shaoxing Communications shall enjoy the rights and interests and bear the risks in accordance with their respective shareholdings in the Project Company.

Project Company

The Company and Shaoxing Communications have jointly designated Shengxin Company as the Project Company. To fulfill the required minimum registered capital of the Project Company, Shengxin Company shall increase its registered capital from RMB5 million to RMB200 million, and the Company and Shaoxing Communications shall increase capital to Shengxin Company in proportion to their respective existing shareholding proportion in Shengxin Company.

The table below sets forth the shareholding structure of Shengxin Company as at the date of this announcement and upon completion of the capital increase mentioned above:

Shareholders	As at the date of this announcement		Upon completion of the capital increase	
	Amount of contribution (RMB)	Percentage of shareholding (%)	Amount of contribution (RMB)	Percentage of contribution (%)
the Company	2.5 million	50	100 million	50
Shaoxing Communications	<u>2.5 million</u>	<u>50</u>	<u>100 million</u>	<u>50</u>
Total	<u>5 million</u>	<u>100</u>	<u>200 million</u>	<u>100</u>

As at the date of this announcement and upon completion of the capital increase, Shengxin Company is and will remain to be a 50% owned joint venture, but not a subsidiary of the Company.

Project Capital

The Project Capital is 20% of the total investment of the Project, and the specific amount may be adjusted according to the actually approved budget estimate. Each of the Company and Shaoxing Communications shall afford fifty percent (50%) of the Project Capital and contribute funds to Shengxin Company simultaneously, in accordance with the agreed schedule. As at the date of this announcement, it is expected that the Project Capital will be injected to Shengxin Company in batches in the next four years.

Based on the practice of similar projects in the market and description under section “Fund Raising” above, the Directors do not anticipate that there will be any further capital commitment to be afforded by the Company other than fifty percent (50%) of the Project Capital (i.e. approximately RMB1,371.1 million).

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT AND JOINT INVESTMENT AGREEMENT

Ningbo-Jinhua Expressway is an important section of the national expressway network connecting the Yangtze River Delta megalopolis and the port logistics channel. With the regional economic and social development along the Ningbo-Jinhua Expressway, the requirements for the quality and capacity of expressway will be much higher. The Project will play an important role in enhancing the capacity of Ningbo-Jinhua Expressway, satisfying the higher infrastructure needs and promoting the high-quality regional development.

The Company is principally engaged in the operation and management of high grade road. Ningbo-Jinhua Expressway is well located in an economically developed and rapidly developing region with high traffic flow, and thus the Project will further satisfy the growing traffic demands, and bring a higher toll revenue to the Company. Besides, participation in the Project enable the Project Company to further extend the concession rights of Ningbo-Jinhua Expressway to around 2052 and benefit from the improved road bearing capacity. Considering the aforesaid increased toll revenue and extended concession rights, and based on the cost-benefit analysis, participation in the Project is anticipated to generate reasonable investment returns.

Moreover, as the plan for the investment in and construction and management of Ningbo-Jinhua Expressway represents an expressway project carried by the People's Government of Zhejiang Province, the Company and Shaoxing Communications under cooperation model, it can effectively achieve a balance between public interests of the infrastructure facilities and reasonable return for commercial investment, so that the society, the government and the enterprises can all reap benefits.

No Director has material interests in the Investment Agreement and Joint Investment Agreement, or is required to abstain from voting on the relevant resolution(s) of the Board.

The Directors are of the view that (i) participation in Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project is in the ordinary and usual course of business of the Group, (ii) the relevant terms of the Investment Agreement and the Joint Investment Agreement are determined among Zhejiang Road and Transportation Management Center* (if appropriate), Shaoxing Road and Transportation Management Center* (if appropriate), the Company and Shaoxing Communications after arm's length negotiations, on normal commercial terms or better, and fair and reasonable and in line with the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE INVESTMENT AGREEMENT AND JOINT INVESTMENT AGREEMENT

Zhejiang Road and Transportation Management Center* is a public institution under the administration of the Department of Transportation of the People's Government of Zhejiang, and principally undertakes the transportation system planning, support of highway and other road construction, road maintenance and passenger and freight highway transportation management, among others.

Shaoxing Road and Transportation Management Center* is a public institution under the administration of the Department of Transportation of the People's Government of Shaoxing City, and principally undertakes the research on the development of the transportation industry, the preparation of investment plans for transportation construction projects, the preliminary work for major transportation construction projects, among others.

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 Hong Kong Stock Exchange (Stock Code: 0576). The Company 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..

Shaoxing Communications is a PRC state-owned company, held by the State-owned Assets Supervision and Administration Commission of Shaoxing Municipal Government as to 90% and Zhejiang Provincial Department of Finance as to 10%, with a registered capital of RMB500 million and engaged in investment, operation and management in state-owned assets, acquisition and development of land, urban development, and the provision of services in the design, production, publication and agency business for advertisements.

INFORMATION ON SHENGXIN COMPANY

Shengxin Company is a limited liability company established in the PRC on June 29, 2011, held by the Company as to 50% and Shaoxing Communications as 50%. The principal activity of Shengxin Company is management of the Shaoxing section of the Ningbo-Jinhua Expressway.

The net profits (both before and after taxation) of Shengxin Company, prepared in accordance with the PRC Accounting Standards for Business Enterprises, are set out below:

	Year ended December 31, 2022	Year ended December 31, 2021
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation	148,104.94	168,243.75
Net profit after taxation	110,990.21	126,274.45

The unaudited total assets and unaudited net asset value of Shengxin Company as at December 31, 2022 were approximately RMB1,456,945.27 thousand and RMB771,978.33 thousand, respectively.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transaction under the Investment Agreement and the Joint Investment Agreement are more than 5% but less than 25%, the transaction under the Investment Agreement and the Joint Investment Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the circular and shareholder's approval requirement under the Listing Rules.

Based on the practice of similar projects in the market and current situation of the Project, the Directors do not anticipate there will be any further commitment to be afforded by the Company other than fifty percent (50%) of the Project Capital (i.e. approximately RMB1,371.1 million). If there is any material change during the process of the Project, the Company will comply with applicable disclosure and approval requirements under the Listing Rules such updates by way of announcement or annual report, as the case maybe.

DEFINITIONS

“Board”	the board of Directors
“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 (stock code: 0576)
“Director(s)”	the director(s) of the Company
“Investment Agreement”	the Investment Agreement entered into among Zhejiang Road and Transportation Management Center*, Shaoxing Road and Transportation Management Center*, the Company and Shaoxing Communications, in respect of the Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project
“Joint Investment Agreement”	the Joint Investment Agreement for Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Concession Project to be entered between the Company and Shaoxing Communications
“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

“Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project” or “Project”	the renovation and expansion project of Ningbo-to-Jinhua section (Shaoxing Section) of the Ningbo-Jinhua Expressway
“PRC”	the People’s Republic of China
“Project Capital”	shall have the same meaning set out in page 3
“Project Company”	the project company established or designated as the service provider for the Project
“RMB”	Renminbi, the lawful currency of the PRC
“Shaoxing Communications”	Shaoxing Communications Investment Group Co., Ltd. (紹興市交通投資集團有限公司), a company incorporated in the PRC with limited liability
“Shengxin Company”	Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (浙江紹興嵯新高速公路有限公司), a 50% owned joint venture of the Company, which has been designated as the project company for implementation of Ningbo-Jinhua Expressway (Shaoxing Section) Renovation and Expansion Project
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

* For identification purpose only

By order of the Board
Zhejiang Expressway Co., Ltd.
YU Zhihong
Chairman

Hangzhou, the PRC, March 27, 2023

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.